



MANAGEMENT'S DISCUSSION & ANALYSIS



Year ended December 31, 2021
(Fourth Quarter)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

This Management Discussion and Analysis ("MD&A") of Cerro de Pasco Resources Inc., ("Cerro de Pasco Resources" or "CDPR" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco Resources, on how the Company performed during the three-month and year ended December 31, 2021. It includes a review of the Company's financial condition and review of operations for the three-month period and year ended December 31, 2021, as compared to the three-month period and year ended December 31, 2020.

This MD&A complements the audited consolidated financial statements for the year ended December 31, 2021 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited annual consolidated financial statements as at December 31, 2021 and related notes thereto.

The audited consolidated financial statements for the years ended December 31, 2021, and 2020 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at December 31, 2021. On July 6, 2022, the Board of Directors approved, for issuance, the annual consolidated financial statements.

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

REPORT'S DATE

The MD&A was prepared with the information available as at July 4, 2022.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A refers to the following non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted EBIT, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC").

These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. CDPR uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. CDPR understands that certain investors, and others who follow the Company's performance, also assess performance in this way.

The Company believes that these metrics measure our performance and are useful indicators of our expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and EBIT

EBITDA provides insight into overall business performance. This measure assists readers in understanding the ongoing cash generating potential of the business including liquidity to fund working capital, service debt, and fund capital expenditures and investment opportunities. EBITDA is profit attributable to shareholders before net finance expense, income taxes and depreciation, depletion, and amortization. EBIT is EBITDA after depreciation, depletion, and amortization. Other companies may calculate EBIT and EBITDA differently.

Adjusted EBITDA, Adjusted EBIT and Adjusted Earnings per Share

Adjusted EBITDA consists of EBITDA less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. Adjusted EBIT consists of EBIT less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. These expenses and recoveries are removed from the calculation of EBITDA and EBIT as the Company does not believe they are reflective of the Company's ability to generate liquidity and its core operating results.

Adjusted Earnings per Share consists of net income or loss in the period less the impact of impairments or reversals of impairment, settlement mark-to-market, fair value (gain) loss on financial instruments, (gain) loss on foreign exchange, restructuring expenses and other income or expenses

C1 Cash Cost

This measures the estimated cash cost to produce a pound of payable zinc. This measure includes mine operating production expenses such as mining, processing, administration, indirect charges (including surface maintenance and camp), and smelting, refining and freight, distribution, royalties, and by-product metal revenues divided by pounds of payable zinc produced. C1 Cash Cost per pound of payable zinc produced does not include depreciation, depletion, and amortization, reclamation expenses, capital sustaining and exploration expenses.

AISC

This measures the estimated cash costs to produce a pound of payable zinc plus the estimated capital sustaining costs to maintain the mine and mill. This measure includes the C1 Cash Cost per pound and capital sustaining costs divided by pounds of payable zinc produced. All-In Sustaining Cost per pound of zinc payable produced does not include depreciation, depletion, and amortization, reclamation, and exploration expenses.

NATURE OF ACTIVITIES

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Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco Resources" or "CDPR") is a sustainable-oriented mining and resource management company sensitive to the most demanding environmental, social and legal compliance required by global institutions and investors. The key strategic strength of the Company is an unparalleled knowledge of the challenges and opportunities presented by the mineral endowment within the city of Cerro de Pasco combined with a highly experienced and practical team of both Peruvian and international management. The key focus of growth for the Company is on developing the El Metalurgista mining concession using world class geo-resource and industrial development solutions to secure long-term economic operational sustainability in harmony with a healthy and prosperous local population. The Company, having recently acquired and now currently operating the Santander Mine, is also keen on acquiring and operating mines compatible with the Company's strategic growth plan.

BUSINESS DEVELOPMENT HIGHLIGHTS

➤ Acquisition of Santander Mine

On December 3, 2021, the Company reported that it completed the acquisition from Cerro de Pasco Resources Subsidiaria del Perú S.A.C. formerly Trevali Peru S.A.C. ("Santander" and/or "Trevali Peru") (TSX: TV) (BVL: TV) (OTCQX: TREV) (Frankfurt: 4TI), of the Santander Mine (the, "Transaction"), located approximately 215 kilometres northeast of Lima, Peru and comprising an underground mine, a 2,500-tonne-per-day processing mill, a conventional sulphide flotation mill, and associated infrastructure.

The Transaction plays to CDPR's natural strengths having built a highly specialized team of experts in 2019 with a view to taking control of the entire Cerro de Pasco mining complex from Volcan / Glencore. Negotiations with Volcan/Glencore were suspended pending exploration of the Quiulacocha Tailings. The Declaration of Environmental impact has been approved by the Ministry of Energy and Mines and the Sonic Drilling Program of the Quiulacocha tailings is expected to begin during the Q3 of 2022.

The Company plans to extend the operating life of the Magistral orebody at the Santander Mine, while developing access into the higher-grade Santander Pipe orebody over the next 24-36 months, which would extend the life of the mine by five years. Additionally, CDPR plans to increase exploration expenditure on the property.

Transaction Rationale:

- Profitable mine with potential to grow operating cash flow and significant exploration upside;
- Steady state, fully permitted operation with stable workforce and good community relations;
- A modern 2,500 tonne per day concentrator which could be used ultimately for treating material from our El Metalurgista concession, located only 60 km away from the Santander Mine;
- Significant tailings resource which can be retreated at the end of the life of mine;
- CDPR plans to develop the Santander Pipe orebody by linking the existing underground mine, increasing payable zinc equivalent metal and reducing All-in Sustaining Costs after two years;
- Closing Date Working Capital will remain positive and intact at USD7.5million.

Transaction highlights include:

- CAD1 million cash paid at closing.
- 10 million shares of CDPR, which will be release from escrow and freely tradable according to the following schedule: (i) 10% at closing of the Transaction, and (ii) 15% every six months thereafter.
- A Net Smelter Royalty equal to 1% on all new deposits beyond those resources currently defined at the Magistral and Santander Pipe deposits.
- A contingent payment of USD2.5 million in the event that the LME average zinc price for 2022 is equal to or greater than USD1.30/lb.

Santander Mine Geology

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Santander is located within the Miocene metallogenic belt of central and northern Perú. It extends for at least 900 km along the Western Cordillera and adjacent Altiplano and is characterized by several hydrothermal mineral deposits of significant importance of different types that formed between about 6 million and 20 million years ago.

Santander hosts intrusion-related, carbonate-hosted, distal 'passive' replacement deposits, or carbon replacement deposits (CRDs). Controls on mineralization vary, however, with the majority of mineralization displaying very strong structural and lithological controls. The Santander CRDs, in common with those in other districts, displays a strong mineralogic/metallic zonation: a 'classic' lateral or vertical zonation (from distal to proximal) would be Mn » Ag » Pb+Ag » Zn » Cu+Au. Santander is underlain by an approximately 2,600-metre thick package of Cretaceous clastic and carbonate sedimentary rocks known as the Goyllarisquisga Group, within which an approximately 1,000-metre thick sequence of massive limestones and limestone-shales of the Jumasha and Chulec Formations are the principal hosts identified to date. Pre-mineralization diabase dykes and sills are locally present within the section. The entire sequence is tightly folded into a series of orogen-parallel, northwest-trending anticlines and synclines. The lower, predominantly clastic part of the section has been thrust over the mainly carbonate-rich upper portion (the favourable host rocks) along the regional northwest-trending Santander Fault Zone. Unconformably overlying the tightly folded Cretaceous sediments are moderately folded and faulted andesitic Tertiary volcanics of the Calipuy Formation. Syn-mineralization intrusive activity, considered to be the heat and fluid sources that produced base metal mineralization, has not been recognized on the property to date. This absence is empirically considered indicative of a relatively large CRD system, and such bodies are inferred to be present at depth (>800 metres) on the property.

➤ **H2-SPHERE Green Hydrogen Start-up**

On December 15, 2021 the Company announced that CDPR and Prof Dr. Bernhard Dold have incorporated a German company, H2 SPHERE GMBH ("H2-Sphere"), to develop large-scale conversion of mineral waste to green hydrogen and other valuable components, beyond metals. Under the terms of incorporation, CDPR owns 80% of share capital and commits to fund future development led by Prof Dr Dold.

In line with the company's ongoing commitment to reprocess and permanently remediate the vast deposits of mineral waste stored during a century of mining at Cerro de Pasco, CDPR will provide funding to H2-SPHERE to develop an industrial technique to produce green hydrogen from pyrite in its El Metalurgista concession at Cerro de Pasco. The development will put CDPR in a position to create significant additional value and in parallel to permanently eliminate one of the most critical problems of metal mining, that of acid mine drainage (AMD).

Pyrite, when it comes into contact with oxygen and water will produce acidic conditions, due to the formation of sulfuric acid in an exothermic reaction. If this naturally occurring process is accelerated in a controlled industrial process, green hydrogen can be produced besides other valuable by-products and additionally uncontrolled environmental pollution can be prevented. In contrast to other techniques for producing hydrogen (i.e., blue, grey, brown), which induce high emissions of CO₂, green hydrogen uses only carbon-free energy sources. The use of green hydrogen in industries that consume a particularly high level of energy, such as steel, aluminum, cement, heavy transportation, and mining is viewed as the key element to creating a carbon free industrial revolution to mitigate the effects of human induced climate change. For this reason, major industrial conglomerates in Europe and around the globe are preparing for this transition, announcing major investments during the coming decades.

➤ **Issuance of Shares / Warrants / Promissory Note**

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

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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 allowing its holder to acquire the same number of share of the Company at a price of \$0.50 per share.

On December 3, 2021, the Company issued 10,000,000 common shares valued at \$2,085,233 for the acquisition of the Santander Mine. 10,000,000 common shares of CDPR, which will be released from escrow and freely tradable according to the following schedule: (i) 10% at closing of the Transaction, and (ii) 15% every six months thereafter.

On December 20, 2021, the Company issued 1,571,429 units as finder's fee related to the acquisition of the Santander Mine. 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.

BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

➤ NI 43-101 Resource Estimate for Santander Magistral and Pipe Deposits

On January 25, 2022, the Company announced the results of a Mineral Resource estimate for the Santander Project Magistral and Pipe deposits, in Huaral, Department of Lima, Peru, prepared in accordance with Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves, adopted by the CIM Council on May 10, 2014.

The Technical Report entitled "Cerro de Pasco Resources - NI 43-101 and Resource Estimate Updates for Santander Mine Magistral and Pipe, Peru" is dated January 24, 2022, and supports the disclosure made by the Corporation in its November 8, 2021 press release. The NI 43-101 was completed by DRA AMERICAS PERU a subsidiary of DRA Global Limited (ASX: DRA | JSE: DRA), a diversified global engineering, project delivery and operations management group.

The Mineral Resources for the Magistral (Santander Mine) and Santander Pipe deposits as of the 31st of December of 2021:

Magistral Deposits:

Category	Tonnes (000)	Zn (%)	Pb (%)	Ag (g/t)
Measured	1,013	3.92	0.92	36.1
Indicated	1,370	4.86	0.22	17.2
Measured + Indicated	2,383	4.46	0.51	25.2
Inferred	1,601	3.95	0.19	15.7

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Santander Pipe Deposit:

Category	Tonnes (000)	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)
Indicated	1,791	7.18	0.10	0.03	14.8
Inferred	3,189	5.07	0.15	0.004	7.9

1. All Mineral Resources have been estimated in accordance with the CIM Definition Standards. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Numbers may not add up due to rounding.
2. This Technical Report is the current technical report in support of Mineral Resource Estimates for the Magistral and Santander Pipe deposits of the Santander property.
3. The Santander Magistral Underground Mine Mineral Resource estimate is reported based on net smelter return cut-off grade of \$40/tonne with metal prices of: US\$3,000/tonne for Zn, US\$2,200/tonne for Pb, and US\$25/Oz for Ag.
4. For Magistral: $NSR = (16.7 \times \%Zn) + (11.9 \times \%Pb) + (0.41 \times g/tAg)$, assuming recoveries of 90% for Zn, 75% for Pb and 55% for Ag.
5. The Santander Magistral Underground Mine Mineral Resource model has been prepared by the mine geology department. Qualified Person, Mr. Graeme Lyall (FAusIMM), an independent Resource geology consultant, has restated the resource with adjustments and depletion with an effective date of December 31, 2021.
6. The Santander Pipe Underground Deposit Mineral Resource estimate is reported based on net smelter return cut-off grade of \$40/tonne with metal prices of US\$3,000/tonne for Zn, US\$2,200/tonne for Pb, US\$9,300/tonne for Cu, and US\$25/Oz for Ag.
7. The Santander Pipe Underground Deposit Mineral Resource model has been prepared by the exploration geology department. Qualified Person, Mr. Graeme Lyall (FAusIMM), an independent Resource geology consultant, has restated the resource with adjustments with an effective date of December 31, 2021.
8. For Santander Pipe: $NSR = (17.5 \times \%Zn) + (11.1 \times \%Pb) + (40.8 \times \%Cu) + (0.37 \times g/tAg)$, assuming recoveries of 90% for Zn, 70% for Pb, 60% for Cu and 50% for Ag.

Magistral Deposits

The current mineral resource figures for the Magistral Deposits, effective from December 31, 2021, differ from those stated in CDRP's November 8, 2021, press release due to a revised depletion that has excluded Mineral Resources mined during 2021, and assumptions relating to the NSR cut-off calculation.

Santander Pipe Project

The current mineral resource figures for the Santander Pipe Project, effective as from December 31, 2021, differ from those stated in CDPR's November 8, 2021, press release, due to revisions on the classification of Mineral Resources and assumptions relating to the NSR cut-off calculation. DRA is of the opinion that a significant portion of the deeper Inferred Mineral Resources could be upgraded to Indicated following a more detailed revision of the model for this part of the deposit (DRA QP, Mr. Graeme Lyall (FAusIMM)).

➤ Fatality at Santander Mine

On January 31, 2022, a fatal accident claimed the life of a miner, working for the Company's mine contractor in the South zone of the Magistral mine. Upon knowledge of the tragic accident, all mining activities were suspended immediately, and authorities notified.

On February 1, 2022, the Company reported that it had been informed by its mining contractor that a fatality occurred in underground preparation and development activities at the Santander Mine in Peru

Following the regrettable, fatal accident that occurred at the Santander Mine on January 31, 2022, all statutory reports have been satisfactory submitted to the local authorities. The Company completed a full safety review on all work fronts in development and production, to ensure that existing conditions are safe in areas where activities are taking place. The mine resumed operations on the 18 February 2022.

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➤ **Subsidiary H2-SPHERE GMBH signs contract with German Aerospace Center to develop green hydrogen production process using its own tailings and stockpiles at Cerro de Pasco.**

On March 2, 2022, the Company announced that its subsidiary H2-Sphere GmbH, formed in December 2021 in partnership with Prof Dr. Bernhard Dold, has signed an exclusive agreement with German Aerospace Centre (DLR), to jointly develop techniques for converting mining waste into green hydrogen and other by-products. In the first stage (6 months), DLR will produce an Investigation Report and in the second stage the entity will perform laboratory testing, culminating in a template for industrial-scale production,

DLR – Global Technology Leader

DLR is the Federal Republic of Germany's research center for aeronautics and space. It conducts research and development activities in the fields of aeronautics, space, energy, transport, security and digitalisation. DLR uses the expertise of its 55 research institutes and facilities to develop solutions. With 10,000 employees, the entity's stated mission is to explore Earth and space and develop technologies for a sustainable future.

Research with H2-SPHERE will be executed by the Institute of Future Fuels, Solar-Chemical Process Development department, recently formed by DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.

Double-green Hydrogen

Core innovation by H2-SPHERE and DLR will include two complimentary techniques for converting environment-contaminating mining waste to green hydrogen and other commercial by-products. The new techniques will enable CDPR to permanently remove highly-pollutive elements in its mineral waste resource that are the primary cause of acid mine drainage (AMD). Thus, by achieving the twin benefits of removing AMD and producing green hydrogen, hydrogen produced by CDPR may be considered "double-green".

Industrially Scalable Resource

Up to half of CDPR's Quiulacocha Tailings and the Excelsior Stockpile, together amounting to approximately 180Mt, can potentially be reprocessed using the techniques now under development under the DLR – H2-SPHERE agreement. Beyond CDPR, the Cerro de Pasco mining cluster offers various further opportunities. These resources alone provide the opportunity to build a world-class and sustainable clean energy enterprise.

Catch the Wave

The H2-SPHERE initiative coincides with the imminent start of exploratory drilling at CDPR's El Metalurgista concession with a focus on the Quiulacocha Tailings. It also coincides with the first major global move towards H2, with important initiatives developing at a national level in Peru, Chile and Colombia.

➤ **Appointment of Chief Operating Officer**

On March 10, 2022, the Company announced the appointment of Mr. Jorge Lozano as Chief Operating Officer effective April 15, 2022. Mr. Lozano is a Mine Engineer with a diverse background and 20 years of experience in mining operations and engineering experience in managing operations and projects in the US, Latin America, and Asia. Jorge's management experience ranges across all aspects of mine operations and processing facilities. He is a Qualified Person (QP) under the Mining and Metallurgy Society of America. Jorge is also a Six Sigma Black Belt (techniques and tools for process improvement) and Project Management certified, with experience in LEAN process systems, behavior-based safety, and change management.

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Previously, Jorge has worked as Director of Mining for Alio Gold, Senior Operations Manager for Cobre del Mayo, Mercator Minerals, and MPI, as well as Senior Consultant and Project Management with JDS Mining, Proudfoot, Certitude, Accenture, Unison and independently, in both open pit and underground operations. Mr. Lozano is a graduate of the University of Idaho with B.S. in Mining.

Changes in Board of Directors and Management

On April 26, 2022 the company announced the appointment of Eduardo Loret de Mola as Non-Executive Director. Mr. Loret de Mola is a Mining Engineer with a master's degree in Mining Economy. A Peruvian national, he brings a wealth of experience in operations, planning and commissioning of mining projects in Peru and abroad, in multinational and national mining companies.

On April 26, 2022 the company announced the retirement of Neil Ringdahl (as President and Director) and David Shaw from the Board of Directors. Mr. Ringdahl and Mr. Shaw remain as senior advisors of the Company.

On April 26, 2022 Mr. Manuel Rodriguez Mariátegui, Executive Director, was appointed to the role of President and Director of the Company. This change follows the recent appointment of Jorge Lozano as COO of CDP. R.

➤ **Drilling Program at Santander**

On April 26, 2022, the Company announced that it has started a 30,750m exploration and infill drilling campaign at its Santander Mine with the purpose of increasing Mineral Resources and Reserves.

On April 27, 2022, the Company announced the results of its first 4,247m of its 30,750m drilling program at Santander.

➤ **Appointment of New Chief Financial Officer**

On, April 29, 2022, the Company announced the appointment of James Cardwell as Chief Financial Officer, Mr. Cardwell has over 16 years of experience as Chief financial officer and Chief Operating Officer. Mr. Cardwell has served as Chief financial officer for several entities including but not limited to NanoVibronix, Inc. (NASDAQ: NAOV), a medical device company, from June 2019 to October 2020; Esports Entertainment Group (NASDAQ: GMBL), an esports and online gambling company, from February 2020 to June 2020; Stemtech Corporation (OTC:GNTW), a nutrition supplement company, since May 2020; Ehave, Inc. (EHVVF), a health data platform company since October 2020; Artemis Acquisition Corporation, a SPAC in the Healthcare Industry June 2021 to December 2021; NewGioco Group Inc., a gaming technology company, from August 2018 to December 2018; and VerifyMe Inc., a company that provides comprehensive brand protection and customer engagement solutions, from January 2018 to May 2018. Mr. Cardwell started his public accounting career at Arthur Andersen & Co. (St. Louis) and worked as a Tax Accountant from 1981 to 1985, with clients including General Dynamics, Anheuser-Busch, May Department Stores and others. Mr. Cardwell has extensive experience in corporate structure, financial reporting and modelling, mergers and acquisition, quality of earnings and business analysis, SEC reporting, tax and compliance. He currently serves as the Trustee of John Street United Methodist Church and John Street Trust Fund Society. He is also the Treasurer and Director of Southold Historical Museum.

➤ **Sonic Drilling Campaign on Quiulacocha Tailings**

On May 25, 2022, the Company announced that it will carry out a sonic drilling campaign on its Quiulacocha Tailings in Cerro de Pasco, in the third quarter of 2022.

➤ **Warrant Extension**

On February 9, 2022, the Company announced that it has exceptionally amended the terms of common share purchase warrants issued as part of non-brokered private placements closed between February 2, 2020 and August 28, 2020.

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The Company issued 2,343,500 common share purchase warrants pursuant to private placement offerings of the Corporation closed on February 28, 2020 and March 6, 2020. Each such Warrant entitles its holder to purchase one common share of the Corporation at an exercise price is \$0.65 for a period of two years.

The Company also issued 10,184,588 common share purchase warrants (the "**Other Warrants**") pursuant to private placement offerings of the Corporation closed on June 15, 2020, June 16, 2020, July 2, 2020, August 21, 2020 and August 28, 2020. Each such Other Warrant entitles its holder to purchase one common share of the Corporation at an exercise price is \$0.50 for a period of two years.

The Company extended the term of the Warrants and Other Warrants to February 28, 2023, and to reduce the exercise price of the Warrants, except for 53,150 Warrants held by insiders of the Corporation, from \$0.65 to \$0.50, with all other terms and conditions of the Warrants and Other Warrants remaining the same.

➤ **Issuance of Shares and Options**

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 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.

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SANTANDER MINE, PERU

Production Results

The following tables summarize the Key Production Indicators for the Santander Mine, Peru.

			Dec 4 to Dec 31 2021
Production			
Ore Mined	t		63,280
Ore Milled	t		62,289
Zn Head Grade	%		4.2%
Pb Head Grade	%		0.4%
Ag Head Grade	oz/t		0.78
Zn Recovery	%		95.1%
Pb Recovery	%		75.1%
Ag recovery	%		58.3%
Zn Payable Production	Mlbs		4.61
Pb Payable Production	Mlbs		0.35
Ag Payable Production	Moz		0.03
Zn Head Grade	%		48.4%
Pb Head Grade	%		45.9%
Sales			
Zn Payable sold	Mlbs		4.32
Pb Payable sold	Mlbs		0.27
Ag Payable sold	Moz		0.02
C1 Cash Cost ¹	US\$/lb		1.01
AISC ¹	US\$/lb		1.06
Finance			
Revenues, net	US\$		7,121
Mine Operating Expenses	US\$		4,022
Adjusted EBITDA ¹	US\$		3,099
Impairment	US\$		
Other expenses (income)	US\$		65
EBITDA ¹	US\$		3,034
Depreciation	US\$		258
EBIT ¹	US\$		2,777

¹ See "Use of Non-IFRS Financial Performance.

			Dec 4 to Dec 31 2021
Mine Operating Expenses	\$US		3,794
Smelting and refining	\$US		1,561
Distribution	\$US		139
Royalties	\$US		14
Less: By-product revenues	\$US		(876)
C1 total costs	\$US		4,632
Sustaining CAPEX	\$US		244
Lease Payments	\$US		0
AISC total costs	\$US		4,876
Pounds of zinc payable produced	Mlbs		4.61
C1 Cash Cost per pound	\$US		1.01
All-in Sustaining Cost per pound	\$US		1.06

¹ See "Use of Non-IFRS Financial Performance

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- Payable zinc production was 4.61 million pounds from December 4, 2021 thru December 31, 2021, due to the head grade of the production plan related to Magistral Sur.
- Adjusted EBITDA¹ from December 4, 2021, thru December 31, 2021, was better than forecasted due to higher Zn Prices.
- The Company did not record a non-cash impairment charge of the property, plant and equipment at Santander in 2021.

2022 Santander Production Guidance

	Units	Guidance 2022		
Payable production of ZnEq	(000)s lbs	46,066	-	58,260
Payable production of Zinc	(000)s lbs	40,854	-	51,669
Payable production of Lead	(000)s lbs	2,701	-	3,415
Payable production of Silver	(000)s oz	233	-	295
C1 Cost	US\$/ lb	1.00	-	1.27
AISC Cost	US\$/ lb	1.20	-	1.52

The Company acquired Santander with the objective of extending the operating life of the Magistral orebody over the previous plan which was to wind down operations ending in Q1 2022 (see press release dated Nov 8, 2021). Per the Company's guidance, a short-term plan through 2022 and into Q1 2023 has been finalized on immediately available and near-term mineralization close to existing workings. Additionally, the new infill drilling program has highlighted several months of mineralized material in lateral, footwall and hanging wall extensions of the Magistral ore body that will be included into the short-term plan with minimum development. The Company is currently focussed on recouping development meters and ramping up production to a steady state of 2,000 tpd through Q2 and Q3.

Upon completion of the 30,750-meter drilling campaign, the company plans to complete an industry compliant Technical Report with a new LOM Plan including the Santander Pipe and other relevant satellite but ore bodies to Magistral.

The Company is also focusing on optimization of the mine dewatering system, critical for operating continuity and overall efficiency of the mining operation; the enhancement of the power supply system and peak-power management efficiencies; bolstering the site leadership and supervisor teams at the site; increasing tailings dam capacity and working on management systems to optimize overall runtime for mining operations and reduce associated costs.

Santander Development and Exploration

Since purchase of the Santander Property from Trevali Peru, CDPR has commenced simultaneous exploration and infill drilling programs. The exploration drill program consists of 20,020 m (53 drill holes) along with an additional 10,730 m (81 holes) of underground resource infill drilling.

CDPR has allocated US\$3.5 M for the 2022 exploration and infill drilling programs. The drilling programs are designed to increase Resource and Reserves in the existing Magistral deposit and drill test targets to the North and South of the known Magistral orebodies to extend life of mine.

To date, 4,247.60 m (10 drill holes) of surface exploration and 1,679.30 m (17 drill holes) of underground infill drilling has been completed. CDPR contracted DRA to do PEA study on The Pipe-1, target late Q4-2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

EL METALURGISTA

➤ Highlights

- Unique location at the center of a historic mining cluster undergoing a process of consolidation in Cerro de Pasco.
- Significant scale with 170 million tons of material and massive overground resource.
- 42.9 Million ounces of silver inferred with NI 43-101 certification at the outset with significant upside.
- Strong social license and support from local authorities combined with commitment to ESG principles.
- Unique management team with profound knowledge of Cerro de Pasco
- Near term production objectives and low initial capital requirements based on conservative assumptions



➤ El Metalurgis

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

- 100% interest in the El Metalurgista mining concession (95.74 ha) incorporating mineral rights covering 57 ha of the Quiulacocha Tailings Storage Facility.
- Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
- Roads accessible, power grid, abundant water, adjacent to operational processing facility.
- Tailings produced during processing of mineral mined from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as Cordilleran base-metal deposit.
- End Product: Zn, Cu, Pb, Mo Concentrate
- Development Stage

The most recent Historical NI 43-101 Mineral Resource Estimate for the Quiulacocha TSF by JA Brophy in 2012 were estimated at 2,500,000 tonnes grading 1.46% zinc per tonne, 0.85 % lead per tonne, 38 grams silver per tonne in the measured category*; and 4,900,000 tonnes grading 1.43% zinc per tonne, 0.76% lead per tonne, 38 grams silver per tonne in the indicated category*. This estimate was based on a shallow surface auger sampling program which is estimated to represent only 10% of the expected tonnes of the Quiulacocha tailings deposit.

** The resource estimates described above are historical in nature and cannot be relied upon for economic evaluations.*

The tailings stored in the TSF, comprised of processing residues, come from the Cerro de Pasco open pit and underground mine. Initially these tailings resulted from the mining of copper-silver-gold mineralization with reported historical head grades of up to 10% Cu, 4g/t Au and over 300g/t Ag and later from the mining of zinc-lead-silver mineralized material with average historical grades of 7.41% Zn, 2.77% Pb and 90.33g/t Ag.

The Company believes that Quiulacocha TSF has potential to increase significantly if CDPR can acquire government owned surface rights that surround the El Metalurgista concession.

Development Highlights

On May 25, 2022, the Company announced that it will carry out a sonic drilling campaign on its Quiulacocha Tailings in Cerro de Pasco, in the third quarter of 2022.

As of May 25, 2022 CDPR had obtained the following licenses and approvals for its Quiulacocha Tailings Project:

- the social license granted by the Quiulacocha Rural Community (*Comunidad Campesina de Quiulacocha*, "CCQ") in October 2019;
 - an environmental impact declaration (*Declaración de Impacto Ambiental*, "DIA") for the Quiulacocha tailings exploration project by the Peruvian Ministry of Energy and Mines (the "MINEM") approved in August 2021; and
 - the technical approval from the National Water Authority ("ANA") obtained in July 2021.
-
- Following several recent meetings with government officials, CDPR announced that official documents to start its sonic drilling campaign have been submitted on May 23, 2022

➤ El Metalurgista – Excelsior Stockpile

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

- 100% interest in the El Metalurgista mining concession (95.74 ha) incorporating mineral rights covering approximately 35 ha of the Excelsior Stockpile.
- Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
- Roads accessible, power grid, abundant water, adjacent to operational processing facility.
- Stockpiled low-grade Zn, Pb, Ag mineralization sourced from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as a Cordilleran base-metal deposit.
- End Product: Zn, Cu, Pb Concentrate

The Excelsior Stockpile covers a surface area of 67.92 ha and contains approximately 70 Mt of broken rock. The stockpile was in use between approximately 1970 and 1996 to store what was then considered uneconomic/low grade mineralization from the Raul Rojas open pit. The surface area of the Excelsior Stockpile lying within the El Metalurgista Concession is approximately 35 ha and contains approximately 30 Mt of broken rock.

NI 43-101 compliant Inferred Mineral Resource of 30.10 Mt grading 44 g/t Ag, 0.6% Pb and 1.5% Zn, containing 42.9 Million ounces of silver, 437,000 tonnes of zinc and 184,000 tonnes of lead.

The Company believes the Excelsior Mineral Resource has potential to increase significantly if CDPR can acquire government owned surface rights that surround the El Metalurgista concession.

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

➤ Highlights

- Completing a detailed drilling program and associated technical studies of the Quiulacocha TSF to gain a better understanding of the deposit (resource estimation, mineralogy, metallurgical recoveries and process) and their current impact on the environment (to include a baseline study of the entire Cerro de Pasco watershed).
- Research with H2-SPHERE and DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.
- Collect information required for designing systems that will be used to aid environmental clean-up while work is ongoing to reuse as much of the natural resources as possible.
- Utilize best in class proven technology and world class environmental controls for re-processing of Quiulacocha TSF and Excelsior Stockpile.
- Create a positive impact that will be immense in terms of job creation, poverty reduction and quality of life at Cerro de Pasco, a city with over 50,000 inhabitants and a unique history in, and loyalty to mining. CDPR will promote a broad spectrum of initiatives including urban re-planning, health and welfare in collaboration with the local and national authorities

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

➤ Reprocessing Waste from Traditional Mining to Create a New Circular and Sustainable Economy



- Traditional mining brought decades of prosperity with zinc, copper, lead, silver, and gold.
- Now, with little availability of primary reserves, we will devote ourselves to re-exploiting tailings and discarded ore, extracting the remaining resources that include not only from the original minerals, but also the opportunity to exploit bismuth, selenium, gallium, indium, and germanium.

➤ Producing Green Hydrogen through Sustainable Mining

March 2, 2022, CDPR announced that H2-Sphere entered into an exclusive agreement with the German Aerospace Center (DLR), to jointly develop techniques for converting mine waste into green hydrogen and other by-products.

Research with H2-SPHERE will be executed by the Institute of Future Fuels, Solar-Chemical Process Development department, recently formed by DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.

Core innovation by H2-SPHERE and DLR will include two complimentary techniques for converting environment-contaminating mining waste to green hydrogen and other commercial by-products. The new techniques will enable CDPR to permanently remove highly-pollutive elements in its mineral waste resource that are the primary cause of acid mine drainage (AMD). Thus, by achieving the twin benefits of removing AMD and producing green hydrogen, hydrogen produced by CDPR may be considered “double-green”.

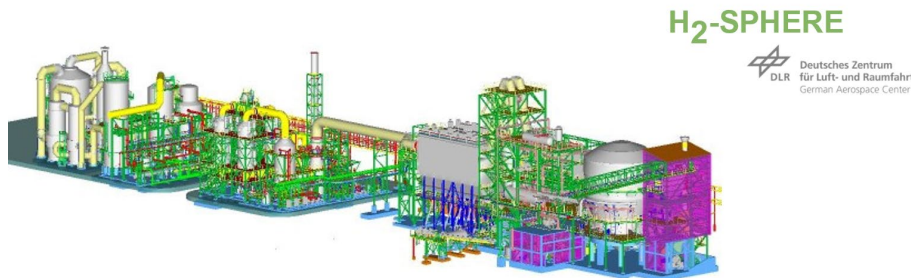
- First Stage study to complete in September 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

- Second stage will culminate in a template for industrial scale production

SUSTAINABLE MINING – PRODUCING GREEN HYDROGEN



SOCIAL RESPONSIBILITY

- Ensure open, honest, and transparent communications and interactions;
- Recognize and use of existing structures and initiatives, to avoid displacement or redundancy;
- Create partnerships and multi-stakeholder approaches;
- Use key areas of support: health, education, support for disadvantaged groups, and strengthening of local economy; and
- Retreat and remove environmental mining liabilities with a high ethical standard, in compliance with all applicable laws, regulations, and internationally accepted standards, and exceeding these where we can.

➤ Stakeholder Consultation

At CDPR we ensure that our environmental and social permitting processes involve extensive community /stakeholder consultation, and full transparent disclosure of the characteristics of our projects and their potential environmental and social impacts during the mine life cycle (e.g. exploration and feasibility, planning and construction, operation and mine closure).

➤ Land Use Agreements

On 13 October 2019, CDPR and the community of Quiulacocha reached an agreement for the temporary use of 77.54 hectares of communal land. Through a majority vote the community of Quiulacocha expressed its support for the reprocessing of the Quiulacocha tailings. It also approved CDPR's upcoming drilling and technical studies program which objective is to prove that the tailings can be reprocessed economically, and that the area can be rehabilitated.

CORPORATE OBJECTIVES FOR 2022

- Complete Sonic Drilling Campaign for Quiulacocha Tailings Project
- Obtain land access agreement (rights of passage) for permission to access the surface land which underlays the El Metalurgista concession
- Obtain Peruvian Government assignment of responsibility to restore and remediate the entire area of the Quiulacocha Tailings and Excelsior stockpile.
- Evaluate potential Transactions for the acquisition of operating mines and or complimentary infrastructure within Peru

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

- Bring Santander back to steady-state operations with improved practices and safety
- Explore and identify for new and additional resource potential at Santander with the focus on a 10 year plus life of mine
- Advance H2-Sphere's Research and Development on converting mine waste into green hydrogen and other by-products

QUALIFIED PERSON

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

MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month period ended December 31, 2021 and 2020.

Mining properties

For the three-months ending December 31, 2021

	PERU	PERU	Total
	Quiulacocha tailings and Excelsior stockpile	Santander	
Mining Properties	\$	\$	\$
Mining rights	260,780	-	260,780
Exchange gain	(24,187)	-	(24,187)
	236,593	-	236,593
Balance, beginning of period	1,363,412	-	1,363,412
Balance, end of period	1,600,005	-	1,600,005

Mining properties

For the three-months ending December 31, 2020

	PERU	Total
	Quiulacocha tailings and Excelsior stockpile	
Mining Properties	\$	\$
Mining rights	-	-
Exchange gain	(64,955)	(64,955)
	(64,955)	(64,955)
Balance, beginning of period	1,427,404	1,427,404
Balance, end of period	1,362,449	1,362,449

Exploration and evaluation assets

For the three-months ending December 31, 2021

	PERU	PERU	Total
	Quiulacocha tailings and Excelsior stockpile	Santander	
Exploration and evaluation assets	\$	\$	\$
Acquisition	-	6,674,736	6,674,736
Exploration costs	-	134,634	134,634
Exchange gain	(908)	(88,681)	(89,589)
	(908)	6,720,689	6,719,781
Balance, beginning of period	183,612	-	183,612
Balance, end of period	182,704	6,720,689	6,903,393

Exploration and evaluation assets

For the three-months ending December 31, 2020

	PERU	Total
	Quiulacocha tailings and Excelsior stockpile	
Exploration and evaluation assets	\$	\$
Acquisition	-	-
Exploration costs	-	-
Exchange gain	(8,748)	(8,748)
	(8,748)	(8,748)
Balance, beginning of period	192,230	192,230
Balance, end of period	183,482	183,482

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

FINANCIAL INFORMATION

Functional and presentation currency

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

IFRS Accounting policies

The Company's significant accounting policies under IFRS are disclosed in Note 5 in the audited annual consolidated financial statements for the year ended December 31, 2021.

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.

The Company's management also makes estimates for net realizable value and obsolescence provisions relating to inventory, fair values, guarantees, long-lived asset and goodwill impairment, decommissioning obligations, lease obligations, contingencies and litigation. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(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.

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

(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 and mining properties

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 (see Note on Provisions, contingent liabilities and contingent assets)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

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.

Review of asset carrying values and impairment assessment

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 rehabilitation 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 rehabilitation provision

The ultimate costs for reclamation and rehabilitation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of rehabilitation 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 rehabilitation 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).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

Purchase price allocation related to acquisition of Santander

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:

- i. 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;
- ii. identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- iii. the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- iv. 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;
- v. any costs directly attributable to the business combination are expensed as incurred; and
- vi. contingent consideration is measured at fair value at the acquisition date and changes in fair value are recognized in net earnings.

Changes in accounting policies

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

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, 2021, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

Dividends

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

SELECTED ANNUAL FINANCIAL INFORMATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

	December 31 2021 \$	December 31 2020 \$	December 31 2019 \$
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS			
Sales	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	4,744,624	7,128,687	4,793,797
Operating loss before other expenses (revenues) and income tax	2,282,256	7,128,687	4,793,797
Other expenses (revenues)			
Finance expense	484,145	124,819	29,673
Non-recoverable sales taxes	77,759	75,453	130,297
Change in fair value of			
marketable securities in a quoted company	32,343	7,187	-
warrants and embedded derivative on convertible debenture	(119,035)	(17,976)	-
Gain on settlement of payables	(94,685)	-	-
Gain on bargain purchase	(713,080)	-	-
Exchange gain	(132,599)	151,677	77,985
Total other expense (revenue)	(486,201)	284,031	241,773
Income and mining taxes	817,195	33,257	62,795
Net loss	2,613,250	7,445,975	5,098,365
Other comprehensive loss			
Currency translation adjustment	118,351	(166,118)	(14,420)
Other comprehensive loss net of tax	118,351	(166,118)	(14,420)
Net loss and comprehensive loss	2,731,601	7,279,857	5,083,945
Net loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc	2,613,250	7,445,975	5,098,365
Non-controlling interests	-	-	-
Other comprehensive loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc	118,351	(166,118)	(14,420)
Non-controlling interests	-	-	-
Basic and diluted loss per share:	0.01	0.03	0.02

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

	December 31 2021 \$	December 31 2020 \$	December 31 2019 \$
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
Cash and cash equivalents	12,633,042	897,979	275,466
Cash and cash equivalents - restricted	1,387,795	-	-
Accounts receivable	11,428,665	-	-
Other receivables	1,060,843	112,009	41,671
Inventories	2,958,095	-	-
Cash and cash equivalents - restricted (non-current)	1,246,759	-	-
Property, plant & equipment	7,436,281	52,463	67,953
Mining properties, exploration and evaluation assets	8,503,488	1,545,931	1,389,843
Total assets	48,579,424	2,938,587	2,142,412
Trade accounts payable and other liabilities	18,931,940	2,818,581	765,807
Promissory note	1,331,391	-	-
Lease liabilities	-	52,811	118,771
Balance of purchase payable	2,145,027	-	-
Current portion of provisioning for rehabilitation and mine closure	1,142,845	-	-
Current portion of loan	1,640,848	-	-
Convertible debenture	1,379,837	813,249	-
Embedded derivative on convertible debenture	66,185	38,465	-
Total current liabilities	26,638,073	3,723,106	884,578
Contingent consideration payable	1,412,160	-	-
Provisioning for rehabilitation and mine closure	17,478,614	-	-
Total non-current liabilities	19,808,149	191,105	140,029
(Deficiency) Equity	2,133,202	(975,624)	1,304,976

The basic and diluted loss per share during the year ended December 31, 2021, is \$0.01 (\$0.03 in 2020 and \$0.02 in 2019). During the year ended December 31, 2021, the Company realized a net loss of \$2,613,250 as compared to a net loss of \$7,445,975 for the year ended December 31, 2020 (a decrease of \$4,832,725 in 2021 compared to 2020) and realized a net loss of \$5,098,365 for the year ended December 31, 2019 (an increase of \$2,347,610 in 2020 compared to 2019).

The decrease of \$4,832,725 for the year ended December 31, 2021 as compared to 2020 in net loss is attributable to an increase in gross profits of \$3,323,514 attributed to an increase of sales of \$9,111,168 less \$5,787,674 of cost of sales compared to \$0 gross profits in 2020, a decrease of \$2,384,063 in general and administrative expenses (\$4,744,624 in 2021 compared to \$7,128,687) offset by additional selling expenses of \$177,988 and costs related to the acquisition of a mining company of \$683,158 occurring only in 2021 attributed to the acquisition of Santander mining operations which occurred in December 2021.

The increase of \$2,347,610 for the year ended December 31, 2020 as compared to 2019 in net loss is attributable to an increase of \$2,347,610 in general and administrative expenses.

The total assets as at December 31, 2021 were \$ 48,579,424 as compared to \$2,938,587 and \$2,142,412 for the years ended December 31, 2020 and 2019 respectively. The increase of \$45,640,837 in total assets in 2021 compared to 2020 (\$48,579,424 compared to \$2,938,587) is mainly attributed to the acquisition of Santander mining operations to an increase of \$11,735,063 in cash and cash equivalents held as at the year ended (\$12,633,042 as at December 31, 2021 compared to \$897,979 as at December 31, 2020), plus an increase of \$2,634,554 of restricted cash in aggregate of current and non-current restricted cash, an increase of \$11,428,664 of accounts receivable compared to \$0 at December 31, 2020, an increase of \$948,834 of other receivables in 2021 (\$1,060,843 in 2021 compared to \$112,009 in 2020), an increase of \$2,958,096 in

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

inventories compared to \$0 at December 31, 2020, an increase of property plant and equipment of \$7,383,818 (\$7,436,281 in 2021 compared to \$52,463 in 2020), an increase of \$6,957,557 in mining properties (\$8,503,488 in 2021 compared to \$1,545,931 in 2020).

The increase of \$609,004 in total assets in 2020 compared to 2019 (\$2,938,587 in 2021 compared to \$2,329,583 in 2020) is mainly due to a increase of \$622,513 in cash and cash equivalents held as at the year ended (\$897,979 as at December 31, 2020 compared to \$275,466 as at December 31, 2019).

The total current liabilities as at December 31, 2021 were \$ 26,638,073 as compared to \$3,723,106 and \$884,578 for the years ended December 31, 2020 and 2019 respectively. The increase of \$ 22,914,967 in total current liabilities in 2021 compared to 2020 is mainly due to the acquisition of the Santander mining operations with a significant increase of \$16,113,359 in trade accounts payable and other liabilities (\$18,931,940 as at December 31, 2021 compared to \$2,818,581 as at December 31, 2020) combined with an increase of \$566,588 in convertible debenture (\$1,379,837 as at December 31, 2021 compared to \$813,249 as at December 31, 2020), a balance due in of \$2,145,027 for the acquisition of the Santander mining operations due as at December 31, 2021, an balance of \$1,142,845 in the current provisioning for the rehabilitation and mine closure as at December 31, 2021, and \$1,331,391 for a promissory notes as at December 31, 2021.

The increase of \$2,838,528 in total current liabilities in 2020 compared to 2019 (\$3,723,106 as at December 31, 2020 compared to \$884,578 as at December 31, 2019) is mainly due to an increase of \$2,052,774 in trade accounts payable and other liabilities (\$2,818,581 in 2020 compared to \$765,807 in 2019), an increase of \$813,249 in convertible debentures (\$1,379,837 as at December 31, 2021 compared to \$813,249 as at December 31, 2020).

The increase of \$ 19,617,044 in total non-current liabilities in 2021 compared to 2020 (\$19,808,149 as at December 31, 2021 compared to \$191,105 as at December 31, 2020) is mainly due to an increase of \$17,478,614 non-current provisioning for rehabilitation and mine closure and \$1,412,160 contingent consideration payable related the Santander acquisition and an increase of \$789,510 of the non-current loan balance (\$812,193 in 2021 as at December 31, 2021 compared to \$22,683 at December 31, 2020)

The total equity as at December 31, 2021 was \$2,293,072 as compared to a deficiency of \$975,624 and equity of \$1,304,976 for the years ended December 31, 2020 and 2019 respectively.

The increase of \$3,108,826 in equity in 2021 compared to 2020 (equity of \$2,133,202 compared to a deficiency of \$975,624) is mainly due to the decrease of \$4,832,725 in net loss in 2021 compared to 2020 (net loss of \$2,613,250 for 2021 compared to \$7,445,975 for 2020) an increase of \$2,085,223 in share capital attributed to the acquisition and costs associated with the Santander mining operation and an increase of \$2,753,434 attributed to the issuance of private placements, an increase of \$454,223 of warrants including \$242,986 attributed to the issuance of the private placements and \$242,986 attributed to the financing of a promissory note, and \$35,323 attributed to the cost of financing the acquisition of the Santander mining operation.

The decrease of \$2,280,600 in equity in 2020 compared to 2019 (deficiency of \$975,624 compared to equity of \$1,304,976) is is mainly due to the increase of \$2,347,610 in net loss in 2020 compared to 2019 (net loss of \$7,445,975 for 2020 compared to \$5,098,365 for 2019).

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

Net loss

During the year ended December 31, 2021, the Company realized a net loss of \$2,613,250 as compared to a net loss of \$7,445,975 for the year ended December 31, 2020.

The significant decrease of \$4,832,725 for the year ended December 31, 2021 as compared to 2020 in net loss is attributable to an increase in gross profits of \$3,323,514 attributed to an increase of sales of \$9,111,168 less \$5,787,674 of cost of sales compared to \$0 gross profits in 2020, a decrease of \$2,384,063 in general and administrative expenses (4,744,624 in 2021 compared to \$7,128,687 in 2020) offset by additional selling expenses of \$177,988 and costs related to the acquisition of a mining company of \$683,158 occurring only in 2021 attributed to the acquisition of Santander mining operations which occurred in December 2021.

During the year ended December 31, 2020, the Company realized a net loss of \$7,445,975 as compared to a net loss of \$5,098,365 for the year ended December 31, 2019.

The significant increase of \$2,347,610 for the year ended December 31, 2020 as compared to 2019 in net loss is attributable to an increase of \$2,334,890 in general and administrative expenses (\$7,128,687 in 2020 compared to \$4,793,797 in 2019).

Operating expenses

During the year ended December 31, 2021, operating expenses were \$5,605,770 as compared to \$7,128,687 for the year ended December 31, 2020.

The significant decrease of \$1,522,917 for 2021 as compared to 2020 in operating expenses is attributable to a significant decrease of \$1,287,187 in management and consulting fees (\$1,274,192 in 2021 compared to \$2,561,379 in 2020) combined with an increase of 230,922 in salaries and employee benefit expense (\$1,715,524 in 2021 compared to \$1,484,602 in 2020) and an decrease of \$599,408 in business development expense (\$401,549 in 2021 compared to \$1,000,957 in 2020) The decrease of \$2,419,060 reflects the completion of the company's efforts to acquire the Santander mining properties and operations in Peru.

During the year ended December 31, 2020, operating expenses were \$7,128,687 as compared to \$4,793,797 for the year ended December 31, 2019.

The significant increase of \$2,334,890 for 2020 as compared to 2019 in operating expenses is mainly attributable to a significant increase of \$1,105,406 in management and consulting fees (\$2,561,379 in 2020 compared to \$1,455,973 in 2019) combined with an increase of \$878,210 in salaries and employee benefit expense (\$1,484,602 in 2020 compared to \$606,392 in 2019) and an increase of \$401,124 in business development expense (\$1,000,957 in 2020 compared to \$599,833 in 2019) The increase of \$2,334,890 reflects the increase in the effort deployed to achieve the company's objective, which is to bring its mining properties into operation in Peru.

Other expenses

During the year ended December 31, 2021, the other revenue, net of other expenses was \$486,201 as compared to other expenses of \$284,031 for 2020.

The net increase of \$770,232 from the year ended December 31, 2021 as compared to 2020 in other expenses was mainly attributable to an increase of \$713,080 in a gain on the bargain purchase of Santander, an decrease of \$101,059 in warrants and embedded derivatives, and an increase of \$284,276 of exchange gain, an increase of \$94,685 of gain on settlement of payables, offset by an increase of \$359,326 of financial expenses.

During the year ended December 31, 2020, the other expenses was \$284,031 as compared to other expenses of \$241,773 for the year ended December 31, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

SELECTED QUARTERLY FINANCIAL INFORMATION

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

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

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS								
Sales	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	4,744,624	2,552,884	1,006,983	1,182,888	2,440,979	2,552,884	1,039,564	1,095,260
	2,282,256	2,552,884	1,006,983	1,182,888	2,440,979	2,552,884	1,039,564	1,095,260
Other expenses (revenues)								
Finance expense	550,629	14,663	150,820	82,734	67,426	14,663	21,151	51,579
Non-receivable sales taxes	77,759	18,184	10,330	(2,473)	18,893	18,184	3,630	34,746
Change in fair value of								
marketable securities in a quoted company	32,343	-	(10,782)	7,188	7,187	-	(25,156)	25,156
warrants and embedded derivative on convertible debenture	(119,035)	-	(46,686)	(29,622)	(17,976)	-	-	-
Gain on bargain purchase	(713,080)	-	-	-	-	-	-	-
Gain on settlement of payables	(94,685)	-	(94,685)	-	-	-	-	-
Exchange gain	(132,599)	115,963	5,080	33,847	260,413	115,963	160,202	(384,901)
Total others expense (revenue)	(486,201)	129,511	(6,972)	91,674	296,081	129,511	159,827	(301,388)
Income and mining taxes	817,195	-	-	-	33,257	-	-	-
Net loss	2,613,250	2,682,395	1,000,011	1,274,562	2,770,317	2,682,395	1,199,391	793,872
Other comprehensive loss								
Currency translation adjustment	(486,677)	(81,522)	(88,323)	(74,018)	(219,640)	(81,522)	(152,658)	287,702
Other comprehensive loss net of tax	(486,677)	(81,522)	(88,323)	(74,018)	(219,640)	(81,522)	(152,658)	287,702
Net loss and comprehensive loss	2,126,573	2,600,873	911,688	1,200,544	2,550,677	2,600,873	1,046,733	1,081,574
Net loss attributable to:								
Shareholders of Cerro de Pasco Resources Inc	2,613,250	2,682,395	1,000,011	1,274,562	2,770,317	2,682,395	1,199,391	793,872
Non-controlling interests	-	-	-	-	-	-	-	-
Other comprehensive loss attributable to:								
Shareholders of Cerro de Pasco Resources Inc	(486,677)	(81,522)	(88,323)	(74,018)	(219,640)	(81,522)	(152,658)	287,702
Non-controlling interests	-	-	-	-	-	-	-	-
Basic and diluted loss per share:	0.009	0.01	0.00	0.00	0.01	0.01	0.01	0.00

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION								
Cash and cash equivalents	12,633,042	779,108	1,670,614	25,255	897,979	779,108	681,802	609,574
Cash and cash equivalents - restricted	1,387,795	-	-	-	-	-	-	-
Accounts receivable	11,428,665	-	-	-	-	-	-	-
Other receivables	1,060,843	53,324	141,510	216,325	112,009	-	-	-
Income and mining taxes receivable	957,191	-	-	-	-	-	-	-
Inventories	2,958,095	-	-	-	-	-	-	-
Prepaid expenses	829,079	188,168	89,318	145,476	137,139	-	-	-
Cash and cash equivalents - restricted (non-current)	1,246,759	-	-	-	-	-	-	-
Property, plant & equipment	7,436,281	58,515	42,039	47,156	52,463	58,515	61,801	89,124
Right-of-use assets	-	61,801	-	13,540	41,506	51,801	89,124	121,735
Mining properties, exploration and evaluation assets	8,503,488	1,619,634	1,504,891	1,526,868	1,545,931	1,619,634	1,939,413	1,722,598
Total assets	48,579,424	2,919,297	3,603,526	2,118,992	2,938,587	2,919,297	3,167,570	2,543,031
Trade accounts payable and other liabilities	18,931,940	1,299,628	2,195,802	3,140,748	2,818,581	1,299,628	1,213,312	960,049
Promissory note	1,331,391	-	-	-	-	-	226,499	433,166
Balance of purchase payable	2,145,027	-	-	-	-	-	-	-
Current portion of provisioning for rehabilitation and mine closure	1,142,845	-	-	-	-	-	-	-
Current portion of loan	1,640,848	-	-	-	-	-	-	-
Convertible debenture	1,379,837	864,559	1,271,119	864,559	813,249	-	-	-
Total current liabilities	26,638,072	1,417,584	3,524,683	4,088,258	3,723,106	1,417,584	1,583,927	1,553,699
Contingent consideration payable	1,412,160	-	-	-	-	-	-	-
Provisioning for rehabilitation and mine closure	17,478,614	-	-	-	-	-	-	-
Total non-current liabilities	19,808,149	58,360	187,234	158,102	191,105	58,360	77,252	76,720
(Deficiency) Equity	2,133,203	1,443,353	(108,391)	(2,127,368)	(975,624)	1,443,353	1,506,391	1,174,555

The net income of \$326,693 for Q4-2021 is mainly attributable to profits of the Santander mining operation during the month of December after its acquisition of Santander.

The net loss of \$665,369 for Q3-2021 is mainly attributable to general and administrative expenses of \$2,552,884.

The net loss of \$1,000,011 for Q2-2021 is mainly attributable to general and administrative expenses of \$1,006,983.

The net loss of \$1,274,562 for Q1-2021 is mainly attributable to general and administrative expenses of \$1,182,888.

The net loss of \$2,770,317 for Q4-2020 is attributable to general and administrative expenses of \$2,440,979.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2021

Net loss

The basic and diluted gain per share for the three-month period ended December 31, 2021 is \$0.004 as compared to \$0.01 for the three-month period ended December 31, 2020.

During the three-month period ended December 31, 2021, the Company realized a net income of \$326,693 as compared to a net loss of \$2,703,833 for the three-month period ended December 31, 2020.

This increase in profits over losses of \$3,030,526 is attributed to the acquisition of the Santander mining operations and its profits in December 2021.

Operating expenses

During the three-month period ended December 31, 2021, operating expenses were \$ 2,534,510 as compared to \$2,440,979 for the three-month period ended December 31, 2020.

The increase of \$93,351 for the three-month period ended December 31, 2021 as compared to Q4-2020 in operating expenses is mostly attributable to an increase operations related to the acquisition of Santander of \$1,154,827 offset by a reduction of operating expenses from non-Santander operations of \$1,061,298). The Santander operating expenses for the period after acquisition during the month of December 2021 of \$1,154,827 was primarily attributed to \$683,158 of costs related to the acquisition of Santander, \$177,988 of selling expenses and \$293,681 of general and administration expenses (\$92,595 in salaries and employee benefit expense, \$ 98,509 of management and consulting fees, and \$67,580 of other general and administrative expenses.

The reduction of \$1,061,928 of operating expenses from non-Santander operations, was primarily attributed to a reduction of \$521,571 in salaries and employee benefit expense (\$672,604 in Q4-2021 compared to \$1,194,175 in Q4-2020), a reduction of \$227,712 in business development (\$336,512 in Q4-2021 compared to \$108,800 in Q4-2020), a reduction of \$171,227 in management and consulting fees (\$356,444 in Q4-2021 compared to \$527,671 in Q4-2020), a reduction of \$76,076 of project implementation cost (\$4,860 in Q4-2021 compared to \$80,936 in Q4-2020), and a reduction of \$64,712 of general and administrative expense (\$236,973 in Q4-2021 compared to \$301,865 in Q4-2020).

Other revenue and expenses

During the three-month period ended December 31, 2021, the other expenses were \$953,267 as compared to other expenses of \$296,081 for the three-month period ended December 31, 2020.

The increase of \$657,186 in other expenses for Q4-2021 as compared to Q4-2020 is attributable to an increase in finance expenses of \$10,855 (\$67,426 in Q4-2021 for the three-month period ended December 31, 2021 as compared to \$78,081 in Q4-2020 for the three-month period ended December 31, 2020), \$354,065 of costs incurred in Q4-2021 related to the acquisition of the Santander, offset by an decrease in other items of \$36,627 (\$192,08 in Q4-2021 for the three-month period ended December 31, 2021 as compared to \$228,655 in Q4-2020 for the three-month period ended December 31, 2020)

CASH FLOWS

Cash flows used for operating activities

Cash flows used for operating activities were \$10,972,059 during the year ended December 31, 2021, a increase of \$6,089,591 as compared to cash flows used for operating activities of \$4,246,883 during the year December 31, 2020. The increase of \$10,870,318 in cash flows used for operating activities is mostly explained by an increase of \$5,617,956 in cash flows used for operating activities before changes in working capital (negative cash flows of \$1,349,148 for 2021 as compared to negative cash flows of \$6,331,518 for 2020) combined with an decrease of \$11,707,546 in cash flows from change in working capital items (negative cash flows of \$9,622,911 for 2021 as compared to positive cash flows of \$2,084,635 for 2020).

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

Cash flows from financing activities

Cash flows from financing activities were \$4,765,156 during the year ended December 31, 2021, a decrease of \$134,485 as compared to cash flows of \$4,899,641 from financing activities during the year ended December 31, 2020.

The decrease of \$134,485 is mostly attributable to an decrease of \$1,091,504 in proceeds from warrants exercised and private placements (\$2,998,295 for 2021 as compared to \$4,089,799 for 2020) combined with an increase of \$1,100,430 in proceeds from a promissory note (\$1,500,000 for 2021 as compared to \$399,570 for 2020), a decrease of \$500,000 in proceeds from convertible debenture (\$1,000,000 for 2021 as compared to \$500,000 for 2020).

Cash flows used for investing activities

Cash flows from investing activities were \$18,194,363 primarily attributed the acquisition of the Santander mining operations which provided positive cash of \$19,025,757 acquisition of a mining company net of cash received during the year ended December 31, 2021, an decrease of \$442,014 (\$454,588 as compared to negative cash flows of \$12,574 used for the acquisition of property, plant and equipment during the year ended December 31, 2020 (acquisition of property and equipment and mining property) and a decrease of \$50,551 for the acquisition of a mining property (\$187,305 for 2021 and \$136,754 for 2020).

OTHER FINANCIAL DISCLOSURES

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.

Contingency

On October 5, 2018, before the acquisition of Santander, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

responsibility for the tax liability related to these financings. Genius Metals has indemnified the Company for any such liability.

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.

Off-financial position arrangements

As at December 31, 2021, the Company had no off-financial position arrangements.

Going concern assumption

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) due mainly to the continuing investment made in the EL Metalurgista Project that has generated and has an accumulated deficit of \$32,570,897 as at December 31, 2021 (\$29,957,648 as at December 31, 2020) due to the purchase, on December 3, 2021 of their first operating unit (Santander). As at December 31, 2021, the Company had a positive working capital of \$4,735,855 (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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

not be sufficient to meet the obligations and commitments of the Company as a whole. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern; unless, any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. As in the year ended December 31, 2021, the Company has raised \$2,998,295 from private placements consisting of common shares to fund exploration works and working capital (\$19,025,757 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.

Liquidity and capital resources

For the year ended December 31, 2021, the Company recorded a net loss of \$2,457,809 (\$7,445,975 in 2020) due mainly to the continuing investment made in the EL Metalurgista Project that has generated and has an accumulated deficit of \$32,415,457 as at December 31, 2021 (\$29,957,648 as at December 31, 2020) due to the purchase, on December 3, 2021 of their first operating unit (Santander). As at December 31, 2021, the Company had a positive working capital of \$6,532,142 (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). For the year ended December 31, 2021, the Company had \$4,665,905 of cash flows from financing activities (\$4899,641 during the year ended December 31, 2020). In the past, the Company's principal sources of financing in the past have been equity and debt financing. Upon the acquisition of Santander, the increase in working capital is mainly attributed to \$19,011,689 of net cash received upon the acquisition of Santander and its mining operations. For the period ending December 31, 2021, the Company had a decrease of \$1,277,693 from operating activities before changes in working capital items attributed to a cash increase of \$3,724,433 from Santander operating activities during the remainder of December 2021 after acquisition of Santander on December 3, 2021 and a decrease of \$5,002,126 from other corporate activities and operations not associated with Santander.

Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 30 and in the consolidated statements of changes in equity of the audited annual consolidated statements for the year ended December 31, 2021. In order to meet its objectives, the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

Outstanding Share Data

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

	Number of shares outstanding (diluted)
Outstanding as of June 23, 2022	287,810,934
Shares reserved for issuance pursuant to share purchase options	11,635,000
Shares reserved for issuance pursuant to warrants	22,704,222
	322,150,156

The following table reflects the share purchase options issued and outstanding as at the date of this MD&A:

Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
March 10, 2023	200,000	200,000	0.40	0.7
August 19, 2023	200,000	200,000	0.40	1.1
August 28, 2023	200,000	200,000	0.40	1.2
March 7, 2024	5,400,000	5,400,000	0.40	1.7
March 29, 2024	50,000	50,000	0.40	1.8
May 6, 2024	200,000	200,000	0.50	1.9
September 16, 2024	200,000	200,000	0.40	2.2
August 28, 2025	4,145,000	4,145,000	0.40	3.2
March 28, 2027	340,000	340,000	0.40	4.8
March 28, 2027	700,000	700,000	0.40	4.8
	11,635,000	11,635,000	0.40	2.5

The following table reflects the share purchase warrants issued and outstanding as at the date of this MD&A:

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
August 28, 2022	250,000	0.365	0.2
February 28, 2023	53,150	0.65	0.7
February 28, 2023	12,474,938	0.50	0.7
April 8, 2023	1,697,500	0.50	0.8
April 22, 2023	1,511,063	0.50	0.8
April 30, 2023	532,214	0.50	0.8
May 27, 2023	542,500	0.50	0.9
June 15, 2023	1,857,143	0.50	1.0
December 20, 2023	785,714	0.50	1.5
November 26, 2024	3,000,000	0.50	2.4
	22,704,222	0.51	1.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

FINANCIAL RISK MANAGEMENT

Liquidity risk is the risk that the Company will be unable to satisfy financial obligations as they fall due. The Company manages its liquidity risk by optimizing its cash holdings, forecasting cash flows required by operations and anticipated investing and financing activities. The Company's operating cash flows are very sensitive to variations in the price of zinc and lead, foreign exchange rates and ore grades, and any cash flow outlook provided may vary significantly to actual results. Spending and capital investment plans may be adjusted in response to changes in operating cash flow expectations. An increase in average zinc and lead prices from current levels may result in an increase in planned expenditures and, conversely, weaker average zinc and lead prices could result in a reduction of planned expenditures

RISK AND UNCERTAINTIES

The mining industry involves many risks which are inherent to the nature of the business, global economic trends and economic, environmental and social conditions in the geographical areas of operation. As a result, the Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on our operating results, business prospects or financial position. The Company continuously assesses and evaluate these risks and attempts to mitigate them by implementing operating standards and processes to identify, assess, report and monitor risks across our organization.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, which could result in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, in the event that actual results differ from assumptions made. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

➤ COVID-19 Economic Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date there has been significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and disruption in stock markets while the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the demand and the price of zinc and lead, suppliers, employees and on global financial markets. The Company continues to follow published guidance from governments and public health authorities to protect the safety and health of our employees, contractors and the communities in which we operate, while closely monitoring any potential impact on the Company's operations that may include the operating plans and production, supply chain or maintenance activities.

➤ Assessment of impairment and Impairment Reversal Indicators

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Both internal and external information are considered when determining whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, market capitalization, reserves and resources, mine plans and operating results.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

➤ **Impairment testing**

Impairment assessments require the use of estimates and assumptions such as future zinc, lead and silver metal prices (considering current and historical prices, price trends and related factors), operating and capital costs, discount rates, foreign exchange rates, closure and rehabilitation 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.

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 recognized in the statement of operations.

For the year ended December 31, 2021, no impairment was identified.

➤ **Income taxes**

Judgment is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgment is also required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require the Company to assess the likelihood that it will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Judgment is also required in respect of the application of existing tax laws in each jurisdiction.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the Company may have the ability to realize deferred tax assets not recorded at the reporting date.

➤ **Reclamation and rehabilitation provisions**

The ultimate costs for reclamation and rehabilitation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of rehabilitation 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 rehabilitation 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 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 value of asset 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 mineral resources, estimates of production from

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

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.

➤ **Exploration and evaluation assets and expenditures**

Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, mineral resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

➤ **Political and country risk**

The principal mineral property interests of the Corporation are located in Peru. The Corporation believes that Peruvian government supports the development of its natural resources by national and foreign companies as equals. However, there is no assurance that future political and economic conditions in Peru will not result in the government adopting different policies regarding foreign ownership of mineral resources, tax regime, exchanges rates, environmental protection, labour relations and the repatriation of capital and earnings. The possibility that the current or a future government may adopt extreme policies such as expropriation of assets, cannot be ruled out. The Corporation's current and future mineral exploration and processing activities could be impacted by widespread civil unrest and rebellion. Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, nationalization, or social stability factors such as mass riots, civil war and other potential events contribute to increase companies' operational risks. It is important to point out that since its operation began in Peru, the Corporation has not suffered from any of these risks. In addition, mining and tax regimes in foreign jurisdictions are subject to different interpretations and constant changes and revisions in the ordinary course. For example, our interpretation and the interpretation of our tax advisors or tax experts, applied in accordance to the law to our transactions and activities, may not coincide with the interpretation of the tax authorities. As a result, transactions have been and may, in the future, be challenged by the tax authorities and could result in significant taxes, penalties and interest.

ACCOUNTING CHANGES

There have been no changes in accounting policy or new standards and interpretations adopted during 2021 that had a significant impact on the Company's consolidated financial statements. Certain pronouncements have been issued by the International Accounting Standards Board that are mandatory for accounting periods after December 31, 2021. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2021

CERTIFICATION OF ANNUAL FILINGS

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

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the “annual filings”) of the Company for the year ended December 31, 2021.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.