



# MANAGEMENT'S DISCUSSION & ANALYSIS



Year ended December 31, 2022  
(Fourth Quarter)

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **YEAR ENDED DECEMBER 31, 2022**

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**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, 2022. It includes a review of the Company's financial condition and review of operations for the three-month period and year ended December 31, 2022, as compared to the three-month period and year ended December 31, 2021.

This MD&A complements the audited consolidated financial statements for the year ended December 31, 2022 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, 2022 and related notes thereto.

The audited consolidated financial statements for the years ended December 31, 2022, and 2021 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, 2022. On April 28, 2023, the Board of Directors approved, for issuance, the annual consolidated financial statements.

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

### **REPORT'S DATE**

The MD&A was prepared with the information available as at April 28, 2023.

### **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.

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### NATURE OF ACTIVITIES

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, governance and legal compliance required by global institutions and investors.

The Company has a multi-pronged strategy to leverage its unparalleled knowledge of the challenges and opportunities presented by the mineral endowment within the city of Cerro de Pasco.

#### ➤ **Santander Mine**

Cerro de Pasco Resources acquired the Santander mine in late 2021 and currently operates at the Magistral deposit processing 776ktpa at Zn, Pb and Ag recoveries of 94%, 57% and 36% into two concentrate streams of ~50% Zn and Pb each. The Company expects to produce for ~25kt payable ZnEq in 2023, lifting to more than 45ktpa once the Santander Pipe is accessed.

#### The Santander Advantage

The operating assets that Cerro de Pasco Resources owns at the Santander mine are held on the books for approximately \$9.1M having been discounted when the former operator looked to close down the operation. As the Company works to expand the mine life and resources at Santander, it will enjoy a significant production advantage due to the potential replacement value of its operating assets. The assets are in first-class condition and include a 2,500 tonne per day sulfide milling and flotation plant originally commissioned in 2013, as well as buildings, communications equipment, underground infrastructure, support facilities, furniture, fixtures and other equipment. Likewise, social licenses as well as operating permits are, for the most part, already in place for future brownfield expansions.

#### Santander Pipe Expansion

The Santander pipe expansion entails pre-production development and shaft dewatering as well as retrofitting the plant to produce either a copper or lead concentrate.

The Company recently announced the results of a PEA based on a five-year minimum plan processing 2,500tpd at an average grade of 4.7% Zn and 0.11% Cu for an initial capex spend of US\$ 52m.

The expansion project is expected to generate more than \$50m in cash over the LoM for a post-tax NPV of US\$31m and an IRR of 25%.

#### Consolidated Mine Plan

The Company's non-NI43-101 compliant budget plan includes the current resource at Magistral and all the known resources at the Santander Pipe (Main Pipe, Upper-zone, North Extension) and envisages mining 13Mt at 4.4% Zn producing 1.1Mt Zn, 15kt Pb and 49kt Cu of concentrate, representing ~560,000kt of payable ZnEq over 13 years at US\$ 1.00/lb AISC.

#### ➤ **Quiulacocha TSF & Excelsior Stockpile**

CDPR holds 100% of the Quiulacocha tailings facility, the Company's flagship project. An August 2012 historical resource outlined 7.4Mt @ 39g/t Ag, 0.78% Pb and 1.42% Zn for 27Moz AgEq in an area representing ~10% of the ~70Mt TSF. Based on in-situ values of US\$ 80/T, it is believed if nearby processing infrastructure can be secured that the potential asset valuation of the TSF could be in excess of US\$ 500m.

Recent advancements in the project include:

- Signing an agreement for processing material at Glencore's Volcan Cerro De Pasco complex nearby – Volcan's processing facilities at Cerro De Pasco, Paragsha & San Expedito, are permitted to process 17,500tpd.
- Glencore to advance the Company an unsecured \$2m loan to advance studies and drilling on the project.
- The Peruvian government listed the project as priority project for fast-tracking.

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- The Company signed agreement with the local community, extending the surface rights contract.

### ➤ **H2 Sphere GmbH – Research and Development**

As a complement to the planned sulfide processing operations at Cerro de Pasco, in 2021 CDPR formed H2-Sphere GMBH, a research and development company working in conjunction with the German Aerospace Center with the purpose of using mining waste as a feedstock for an exothermic production process to produce green hydrogen among other products.

### **BUSINESS DEVELOPMENT HIGHLIGHTS Q4**

#### ➤ **Subsidiary H2-Sphere GmbH and German Aerospace Center (DLR) on Track to Develop Green Hydrogen Production Process using Cerro de Pasco Resources Tailings**

On November 8, 2022, the Company announced that its subsidiary H2-Sphere GmbH will proceed with patent applications and on to the next phase of development of techniques for converting mining waste into green hydrogen and other by-products.

The decision is based on the positive results of the Investigation Report (Phase 1a) jointly developed with the German Aerospace Center (DLR), and released internally on October 27, 2022, confirming process, conversion rates and unit costs based on scientific theory and empirical evidence. The next phase (1b) will include laboratory testing and design of core components for industrial scale production.

Up to half of material contained in the Quiulacocha Tailings and Excelsior Stockpile, together amounting to approximately 180 million tonnes, can potentially be reprocessed using the techniques now under development under the DLR – H2-SPHERE agreement. Beyond these surface resources, 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.

#### ➤ **Issuance of Shares**

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

#### ➤ **Promissory Note Amendment**

On October 7, 2022, the Company entered into an amendment agreement to modify the terms of a promissory note issued on November 26, 2021, in the amount of CA\$1,500,000 to a holder of more than 10% of the shares of the Company (the "Note"). For details regarding the Note, please refer to the press release of the Corporation dated December 3, 2021.

On June 23, 2022, and July 11, 2022, the Issuer repaid two amounts of CA\$150,000 for a total of CA\$300,000, reducing the principal amount due to CA\$1,200,000.

The Amendment Agreement extends the term of the Note to the sooner of: (i) April 3, 2023; or (ii) or upon the receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit. Under the terms of the Amending Agreement, the Company shall use 25% of all capital raises to pay down the amounts owed on the Note. The Corporation will issue common share purchase warrants of the Corporation ("Warrants") to the noteholder monthly until repayment of the balance of the Note in full, for a total of up to 2,400,000 Warrants. Each such Warrant shall allow its holder to acquire a common share of the Corporation at a price of CA\$0.25 per share for a period of three years following its issuance.

On October 26, 2022, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of October 26, 2025.

On November 26, 2022, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of November 26, 2025.

On December 22, 2022, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of December 22, 2025.

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### ➤ **Convertible Loan Amendment**

On November 8, 2022 The Company entered into an amended and restated agreement (the "A&R Agreement") to modify certain terms of an existing convertible loan financing (the "Existing Loan") in order to postpone the maturity date for the repayment of the CA\$1,453,122.64 balance amount owed thereunder (the "Principal Amount") from June 15, 2022 to August 20, 2023, to reduce the conversion price of the Principal Amount from CA\$0.50 to CA\$0.25, and to reduce the percentage of the fee payable upon repayment of the Principal Amount on the maturity date from 10% to 9% of the Principal Amount.

Under the terms of the A&R Agreement, the Principal Amount is convertible, at the option of the lender, in common shares of the Company, at CA\$0.25 per share. An aggregate of 3,000,000 additional common share purchase warrants (the "Warrants") were also issued to the lender. Each Warrant entitles its holder to acquire a common share at a price of CA\$0.25 until November 8, 2024.

For details regarding the Existing Loan, please refer to the press release of the Corporation dated June 18, 2021.

### **BUSINESS DEVELOPMENT SUBSEQUENT EVENTS**

#### ➤ **Granting of Additional Strategic Concessions Adjacent to Santander Mine**

On January 18, 2023, the Company announced that it has been granted by INGEMMET three additional mining concessions adjacent to its Santander Mine. The new concessions cover an additional 2,094.103 ha.

The new concessions, along with Magistral and Santander Pipe deposit, form part of the fertile regional area of mineralization that hosts numerous distal Zn-Pb carbonate replacement deposits (Porphyry and Skarn Mineral Deposit Belt).

The Company considers that the new areas offer significant exploration potential in view of walk over surveys already undertaken and structural interpretation of Sentinel-2 imagery for the Santander District. Moreover, the combined concession is strategically located within the district of rich concessions including Romina, Puagjanca, Alpamarca and Huaron.

The Company plans to negotiate land usage agreements for the new areas during 2023 and will undertake a mapping and sampling program for the first phase of exploration.

(Please see company news release dates January 18, 2023 for more information)

#### ➤ **Warrant Extension**

On January 18, 2023, the Company amended the expiry date (the "Extension") of 4,283,277 outstanding share purchase warrants (the "Warrants") that were issued pursuant to non-brokered private placements closed between April 8, 2021, and May 27, 2021. Each Warrant currently entitles the holder to purchase one common share in the capital of the Company at a price of \$0.50 per share for a period of two years (the "Expiry Date"). None of the Warrants have been exercised to date. The Expiry Date of the Warrants will be extended to May 27, 2024. All other terms of the Warrants will remain the same.

#### ➤ **Positive Preliminary Economic Assessment for the Santander Mine**

On February 21, 2023, the Company announced the results of Preliminary Economic Assessment ("PEA") for its brownfield Pipe Project ("the Project" or "the Santander Pipe"). The Project forms a strategic cornerstone for CDP's 100% owned Santander Mine, located in central Peru. A NI 43-101 technical report will be filed on SEDAR and will be available on the Company's website within 45 days. All dollar amounts are in US dollars, unless otherwise noted.

The Santander Pipe demonstrates positive financial returns, with a pre-tax net present value ("NPV") at 6% discount rate of US\$ 71.3 million, generating an estimated internal rate of return ("IRR") of 46.6%.

The PEA considers the Project as a standalone operation with zinc concentrate production estimated at 313,600 dry metric tonnes ("dmt") over a 5-year schedule.

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Project cash cost ("C1") and all-in sustaining cost ("AISC") of US\$ 0.82/lb Zn and US\$ 1.05/lb Zn, respectively, generating revenues of US\$ 388.6 million and pre-tax free cash flow of US\$ 99.6 million.

Considered in the Project are synergies to be realized from the existing 2,500 tpd sulfide concentrator, electrical power grid, pumping station, water treatment plant, tailings facility, and other infrastructure from the existing Santander Magistral operation. Current on-going Magistral operation—mining and ore processing—is not considered in the PEA study.

The mineral resource estimate ("MRE") to be mined considers Indicated Mineral Resource of 3.23 Mt with 6.94% Zn and Inferred Mineral Resource of 1.78 Mt with 5.95% Zn; while the industrial circuit plans to process an average of 770,000t of mineralized material per year (with peak production at 900,000 tonnes year), with an average grade of 4.7% of Zn, 89% recovery and 51% in Zn concentrate grade.

The Project is also set to benefit from significant potential resources, such as the Santander Pipe mineralization above the 4020 level, estimated to contain some 3 to 4 million tonnes averaging 4 to 6% Zn, and the newly discovered Pipe North zone.

### ➤ **Extension of Surface Rights Contract for Quiulacocha Tailings Project**

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacocha for the first phase of the Quiulacocha Tailings Project.

### ➤ **Peruvian Government Fast Tracks Quiulacocha Tailings Project**

On March 7, 2023, the Company announced that the Quiulacocha Tailings Reprocessing Project is included in the 2023 Ministry of Economy and Finance (MEF) Specialized Projects List (Banco Especializado de Proyectos del Equipo Especializado de Seguimiento de la Inversión - EESI), which establishes the universe of projects on which it will prioritize its actions in order to ensure an efficient follow-up, with the objective of fast-tracking development and construction of the country's highest-impact projects.

### ➤ **Agreement with Volcan and Glencore to Secure development of Quiulacocha Tailings.**

On March 21, 2023, the Company announced that signed a Memorandum of Understanding Volcan Compania Minera S.A.A., setting out shared objectives and a framework for collaboration with regards to first phase of development and exploration of CDPR's Quiulacocha Tailings Project.

In addition, the Company announced that Glencore International AG will provide CDPR a US\$2 Million term loan to cover the costs associated with the first phase of the QT Project. This includes geophysical studies, a 40-hole sonic drilling program, laboratory testing, mineralogy studies, resource estimation and economic assessment. Funds will be disbursed in accordance with a schedule of milestones. Repayment will occur within 12 months from the start of commercial production. The note will bear interest from the date of first disbursement at the rate of (3-month term secured overnight funding rate + 2%) per annum.

### ➤ **Promissory Note Amendment**

On March 15, 2023, the Company entered into second amendment agreement to modify the terms of a promissory note issued on November 26, 2021, in the amount of CA\$ 1,500,000 to a holder of more than 10% of the shares of the Company (the "Note"). For details regarding the Note, please refer to the press release of the Corporation dated December 3, 2021.

On June 23, 2022, and July 11, 2022, the Company repaid two amounts of CA\$150,000 for a total of CA\$300,000, reducing the principal amount due to CA\$1,200,000.

On November 4, 2022, the Company repaid CA\$20,000 reducing the principal amount due to CA\$1,180,000.

The Amendment Agreement extends the term of the Note to the sooner of: (i) December 31, 2023; or (ii) upon receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit. Furthermore, and commencing on April 1, 2023, the interest rate on the Note shall be at 10% per annum.

Monthly issues of warrants shall no longer be continued under the second amendment agreement.

On March 27, 2023, the Company repaid CA\$600,000 reducing the principal amount due to CA\$580,000.

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### ➤ **Private Placement Financing**

On March 22, 2023, the Company concluded a private placement by issuing 8,895,000 units at a price of CA\$0.10 per unit for proceeds of CA\$889,500. Each unit consists of one Common share and one Common Share purchase warrant for a total of 8,895,000 common shares and 8,895,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 22, 2025.

On March 24, 2023, the Company concluded a private placement by issuing 7,160,000 units at a price of CA\$0.10 per unit for proceeds of CA\$716,000. Each unit consists of one common share and one warrant for a total of 7,160,000 common shares and 7,160,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 24, 2025.

On March 31, 2023, the Company concluded a private placement by issuing 9,190,000 units at a price of CA\$0.10 per unit for gross proceeds of CA\$919,000. Each unit consists of one common share and one warrant for a total of 9,190,000 common shares and 9,190,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 31, 2025.

### ➤ **Issuance of Shares**

On February 22, 2023, the Company issued to two service providers a total of 40,000 common shares valued at CA\$4,200 for business development consultancy and consulting fees.

### ➤ **Issuance of Warrants to Promissory Note Holder**

On January 26, 2023, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of January 26, 2025.

On February 26, 2023, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of November 26, 2025.



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### SANTANDER MINE, PERU

#### Production Results

The following tables summarizes the key production indicators for the Santander Mine, Peru.

		Q1' 22	Q2' 22	Q3' 22	Q4' 22	Full Year
<b>Production</b>						
Ore Mined	t	92,602	95,277	153,527	189,139	530,545
Ore Milled	t	94,918	94,207	155,270	189,167	533,562
Zn Head Grade	%	4.30	3.30	3.70	3.11	3.53
Pb Head Grade	%	0.20	0.30	0.20	0.18	0.22
Ag Head Grade	oz/t	0.56	0.50	0.44	0.49	0.48
Zn Recovery	%	95.30	94.80	94.00	94.50	94.59
Pb Recovery	%	75.10	71.10	70.70	61.43	68.84
Ag recovery	%	50.30	47.30	47.10	38.76	44.65
Zn Payable Production	Mlbs	7.20	5.50	9.90	10.10	32.70
Pb Payable Production	Mlbs	0.30	0.40	0.80	0.44	1.94
Ag Payable Production	Moz	0.02	0.02	0.05	0.03	0.12
Zn Head Grade	%	48.70	48.40	47.70	47.15	47.87
Pb Head Grade	%	48.50	50.50	50.30	51.60	50.35
<b>Sales</b>						
Zn Payable sold	Mlbs	7.50	4.90	9.70	9.60	31.70
Pb Payable sold	Mlbs	0.20	0.40	0.80	0.18	1.58
Ag Payable sold	Moz	0.02	0.02	0.05	0.03	0.12
C1 Cash Cost <sup>1</sup>	US\$/lb	1.60	2.16	1.51	1.46	1.62
AISC <sup>1</sup>	US\$/lb	1.60	2.38	1.76	1.68	1.81

#### Finance

Revenues, net	(000)s US\$	14,581	6,891	9,221	9,898	40,591
Cost of Goods Sold	(000)s US\$	-9,725	-8,327	-10,431	-12,562	-41,045
Gross Profit	(000)s US\$	4,856	-1,436	-1,210	-2,664	-454
Sales and Admin Expenses	(000)s US\$	-584	-689	-638	-681	-2,592
Adjusted EBITDA1	(000)s US\$	4,272	-2,125	-1,848	-3,345	-3,046
Other income (expense)		-18	-898	-75	-5,459	-6,450
EBITDA <sup>1</sup>	(000)s US\$	4,254	-3,023	-1,923	-5,794	-6,486
Depreciation	(000)s US\$	262	265	542	493	1,562
EBIT <sup>1</sup>	(000)s US\$	4,516	-2,758	-1,381	-5,301	-4,924

		Q1' 22	Q2' 22	Q3' 22	Q4' 22	Full Year
Mine Operating Expenses	(000)s US\$	9,517	10,390	11,369	11,334	42,610
Smelting and refining	(000)s US\$	2,459	1,990	4,157	4,103	12,709
Distribution	(000)s US\$	217	180	315	304	1,016
Royalties	(000)s US\$	27	25	62	29	143
Less: By-product revenues	(000)s US\$	-678	-717	-996	-991	-3,382

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C1 total costs	(000)s US\$	11,542	11,868	14,907	14,779	53,096
Sustaining CAPEX	(000)s US\$	198	1,235	2,533	2,155	6,121
Lease Payments	(000)s US\$	0	0	0	0	0
AISC total costs	(000)s US\$	11,740	13,103	17,440	16,934	59,217
Pounds of zinc payable produced	Mlbs	7.2	5.5	9.9	10.1	32.7
C1 Cash Cost per pound	\$US	1.60	2.16	1.51	1.46	1.62
All-in Sustaining Cost per pound	\$US	1.60	2.38	1.76	1.68	1.81

### Q4 2022 Highlights

- Production in Q4 2022 was 10.1 million pounds of Zinc, 440 thousand pounds of Lead, and 34.4 thousand ounces of Silver.
- Total C1 cash cost per pound of zinc produced in Q4 2022 was US\$1.62.
- Total All-in sustaining cost ("AISC") per pound of zinc eq produced in Q4 2022 was US\$1.81.
- Q4 2022 average mill production was 2,100 tonnes per day. This was a 19.6% improvement over throughput achieved in Q3 2022. This is the highest quarterly production average since 2020.
- Average mine development of 850 meters per month for Q4 2022. November achieved 920 meters, a record for 2022 and the highest since 2020.

### FY 2022 Highlights

- Metal payable production achieved in 2022: 32.7 million pounds of Zinc, 1.94 million pounds of Lead and 125 thousand ounces of Silver.
- Achieved lower end of full year production guidance in payable zinc and lead while meeting upper end of cost guidance.
- Achieved 2022 target goals to stabilize and ramp-up the operations. Starting from 12 thousand tonnes milled in April to 63 thousand tonnes avg in Q4 2022.
- Achieved Q4 2022 mine development of 830 meters per month.
- Achieved a total inventory of 240,000 tonnes of ore developed, or a total of 4 months of production. In April 2022 this number was less than 20,000 tonnes.
- Completed phase-1 equipment reconditioning program.
  - Support equipment overhaul is 100% complete.
  - Shotcrete fleet is 100% new.
  - Scooptram loaders overhaul at 50%.
  - Scaler's overhaul is 100% complete.
  - Mining-trucks fleet overhaul is 100% complete.
  - Production drills overhaul (Simba's) 50% completed and face drilling (Jumbo's) at 33%.
- Optimization of grinding circuit at processing plant (ore target: 70% ore passing 200 mesh) and operating controls in the concentrator plant resulted in:
  - Achieving recoveries above 90% for Zinc
  - Average concentrate quality for Zinc of 48%
  - Average concentrate quality for Lead of 50%
  - Average moisture in concentrates of 8.5% or under.
- Executed US\$ 4.1 million in extensive exploration drilling campaign and project studies resulting on:

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- Discovery of Pipe North Extension
- Definition of Santander Pipe resource
- Increased resources at Magistral
- Increased potential at targets: Pujanca & Blanquita
- Update on NI 43-101 Model Resource Estimate (MRE) on Magistral
- New NI 43-101 Model Resource Estimate (MRE) on Santander Pipe
- New NI 43-101 PEA on Santander Pipe (Jan-2023)

### Santander Mineral Resource Inventory

#### Magistral

The Mineral Resources Inventory for the Magistral Mine was declared in CDPR's technical Report NI 43-101 by DRA Global in 2021. This report was updated in 2022 by DRA Global-Information Memorandum Report as of the 9th of September of 2022.:

Magistral Mineral Resources					
Category	Tonnage (kt)	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)
Measured	666	4.29	0.33	19.5	0.05
Indicated	1,789	3.99	0.18	18.1	0.06
<b>Measured + Indicated</b>	<b>2,454</b>	<b>4.07</b>	<b>0.22</b>	<b>18.5</b>	<b>0.06</b>
Inferred	1,248	3.52	0.12	16.1	0.06

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.
2. The Magistral Underground Mine Mineral Resource estimate is reported based on a net smelter return cut-off grade of US\$ 40/tonne with metal prices of: US\$ 3,000/tonne for Zn, US\$ 2,200/tonne for Pb, and US\$ 25/Oz for Ag.
3. 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.
4. The mine Geology Department has prepared the Santander Magistral Underground Mine Mineral Resource model. Qualified Person, Mr. Graeme Lyall (FAusIMM), DRA independent Resource geology consultant, has validated the resource with adjustments effective September 09, 2022.

#### Santander Pipe

The Mineral Resources Inventory for the Pipe Project effective date of the report declared in Preliminary Economic Assessment (DRA, 2023) as of the 31st of January of 2023:

Pipe Project Mineral Resources					
Category	Tonnage (kt)	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)
Measured	-	-	-	-	-
Indicated	3,225	6.94	0.017	13.5	0.17
<b>Measured + Indicated</b>	<b>3,225</b>	<b>6.94</b>	<b>0.017</b>	<b>13.5</b>	<b>0.17</b>
Inferred	1,779	5.95	0.013	7.9	0.15

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.
2. The Santander Pipe Underground Deposit Mineral Resource estimate is reported based on net smelter return cut-off grade of US\$ 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

3. 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.
4. The mine Geology Department has prepared the Santander Pipe Underground Deposit Mineral Resource Model. Qualified Person, Mr. Graeme Lyall (FAusIMM), DRA independent Resource geology consultant, has validated the resource with adjustments effective January 31, 2023.

### 2023 Production Guidance & Outlook

	Units	Guidance 2023
Payable production of ZnEq <sup>1</sup>	(000)s lbs	41,661 - 55,365
Payable production of Zinc	(000)s lbs	39,182 - 52,071
Payable production of Lead	(000)s lbs	1,284 - 1,707
Payable production of Silver	(000)s oz	106 - 141
C1 Cost	US\$/ lb Zn	1.55 - 1.41
AISC Cost	US\$/ lb Zn	2.20 - 2.00
Concentrate Zinc	dmt	39,926 50,494

1. Cash Costs calculated on a by-product basis measured in zinc equivalent unit pounds. Zinc equivalent calculated by converting by-product lead and silver units equivalent to a Zinc unit by proportionally weighted unit value of by-product to the price value of each metal.
2. AISC costs reflect the sustaining capex required at Santander, such as tailings expansion, pumping & power infrastructure, and development in preparation for Pipe production.
3. Prices considered are 1.51 \$/lb for Zinc, 1.01\$/lb for Lead and 23 \$/oz for Silver.

### 2023 Outlook

- 2023 marks the start of the development and expansion phase for the Santander mine, as it ramps up construction of several projects related to the Santander Pipe project.
- The Company plans to invest over US\$ 30 million in capital expenditures over the next two years, consisting of US\$ 22 million for development of the Santander Pipe project, US\$ 9 million for new infrastructure and US\$ 3 million in exploration.
- The highlights of an independent 43-101 PEA report were reported in a Company press release dated February 21<sup>st</sup>, 2023.
- Projects for Santander Pipe include detailed engineering, permitting, as well as preliminary construction activities related to the Santander Pipe project and water treatment capacity.
- Optimize OPEX by procuring a new partial production fleet and optimizing equipment cost and availability.
- Complete targeted construction of an exploration decline to the Pipe North Extension.
- Complete an underground drilling campaign of the Santander Pipe and Pipe North Extension.
- Initiate and complete surface drilling campaign for Puajanca and Naty exploration targets and define the potential MRE zone.
- Produce a new NI 43-101 mineral resource statement.
- Further strengthen balance sheet through obtainment of project financing and working capital.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

### 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



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### ➤ **EI Metalurgista – Quiulacocha TSF**

- 100% interest in the EI 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 EI Metalurgista concession.

### **Development Highlights**

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacocha for the first phase of the Quiulacocha Tailings Project.

On March 7, 2023, the Company announced that the Quiulacocha Tailings Reprocessing Project is included in the 2023 Ministry of Economy and Finance (MEF) Specialized Projects List (Banco Especializado de Proyectos del Equipo Especializado de Seguimiento de la Inversión - EESI), which establishes the universe of projects on which it will prioritize its actions in order to ensure an efficient follow-up, with the objective of fast-tracking development and construction of the country's highest-impact projects.

On March 21, 2023, the Company announced that signed a Memorandum of Understanding Volcan Compania Minera S.A.A., setting out shared objectives and a framework for collaboration with regards to first phase of development and exploration of CDPR's Quiulacocha Tailings Project.

In addition, the Company announced that Glencore International AG will provide CDPR a US\$2 Million term loan to cover the costs associated with the first phase of the QT Project. This includes geophysical studies, a 40-hole sonic drilling program, laboratory testing, mineralogy studies, resource estimation and economic assessment. Funds will be disbursed in accordance with a schedule of milestones.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### ➤ **EI Metalurgista – Excelsior Stockpile**

- 100% interest in the EI 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 EI 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 EI 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, 2022

### ➤ 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”.

On November 8, 2022, the Company announced that its subsidiary H2-Sphere GmbH will proceed with patent applications and on to the next phase of development of techniques for converting mining waste into green hydrogen and other by-products.

The decision is based on the positive results of the Investigation Report (Phase 1a) jointly developed with the German Aerospace Center (DLR), and released internally on October 27, 2022, confirming process, conversion rates and unit costs based on scientific theory and empirical evidence. The next phase (1b) will include laboratory testing and design of core components for industrial scale production.

Up to half of material contained in the Quiulacocha Tailings and Excelsior Stockpile, together amounting to approximately 180 million tonnes, can potentially be reprocessed using the techniques now under development under the DLR – H2-SPHERE agreement. Beyond these surface resources, 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.

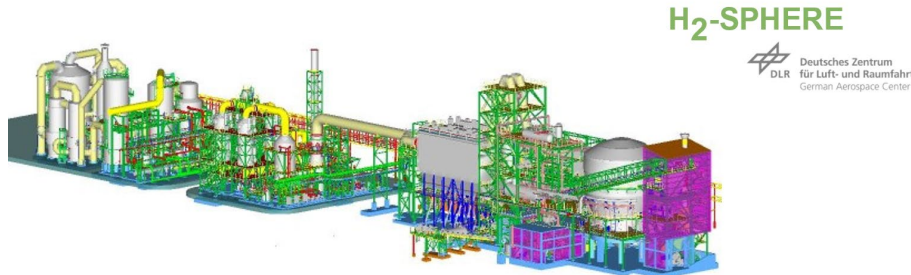


# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### 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.

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacocha for the first phase of the Quiulacocha Tailings Project.

### CORPORATE OBJECTIVES FOR 2023

- Complete 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.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **YEAR ENDED DECEMBER 31, 2022**

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- Produce a Resource Estimate on Quiulaochca Tailings
- Complete Geophysical, Mineralogical and Metallurgical studies on the Quiulacocha Tailings.
- Advance towards the Santander Pipe.
- 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
- Strengthen balance sheet

#### **QUALIFIED PERSON**

Mr. Jorge Lozano, MMSAQP and Chief Operating Officer for CDPR, has reviewed and approved the scientific and technical information contained in this news release. Mr. Lozano is a Qualified Person for the purposes of reporting in compliance with NI 43-101.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

### MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month periods ended December 31, 2022 and 2021.

#### Mining properties For the three months ended December 31, 2022

	PERU	PERU	
	Quilacocha tailings and Excelsior stockpile	Santander	Total
<b>Mining Properties</b>	\$	\$	\$
Mining rights	-	-	-
Adjustments	(30,380)	-	(30,380)
	(30,380)	-	(30,380)
<b>Balance, beginning of period</b>	1,262,104	-	1,262,104
<b>Balance, end of period</b>	1,231,724	-	1,231,724

#### Mining properties For the three months ended December 31, 2021

	PERU	PERU	
	Quilacocha tailings and Excelsior stockpile	Santander	Total
<b>Mining Properties</b>	\$	\$	\$
Mining rights	205,707	-	205,707
Adjustments	-	-	-
	205,707	-	205,707
<b>Balance, beginning of period</b>	1,056,397	-	1,056,397
<b>Balance, end of period</b>	1,262,104	-	1,262,104

#### Development, exploration and evaluation assets For the three months ended December 31, 2022

	PERU	PERU	
	Quilacocha tailings and Excelsior stockpile	Santander	Total
<b>Development, exploration and evaluation assets</b>	\$	\$	\$
Acquisition	-	-	-
Exploration costs	-	-	-
Transfer to property, plant, & equipment	-	(422,827)	(422,827)
	-	(422,827)	(422,827)
<b>Balance, beginning of period</b>	144,111	8,421,969	8,566,080
<b>Balance, end of period</b>	144,111	7,334,833	7,478,944

#### Development, exploration and evaluation assets For the three months ended December 31, 2021

	PERU	PERU	
	Quilacocha tailings and Excelsior stockpile	Santander	Total
<b>Development, exploration and evaluation assets</b>	\$	\$	\$
Acquisition	-	5,203,662	5,203,662
Exploration costs	-	105,223	105,223
Transfer to property, plant, & equipment	-	(63,547)	(63,547)
	-	5,245,338	5,245,338
<b>Balance, beginning of period</b>	144,111	-	144,111
<b>Balance, end of period</b>	144,111	5,245,338	5,389,449

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

Mining properties and exploration and evaluation assets for the years ended December 31, 2022 and 2021.

### Mining properties For the year ended December 31, 2022

	PERU		Total
	Quilacocha tailings and Excelsior stockpile	Santander	
Mining Properties	\$ -	\$ -	\$ -
Mining rights	-	-	-
Adjustments	(30,380)	-	(30,380)
	(30,380)	-	(30,380)
<b>Balance, beginning of period</b>	1,262,104	-	1,262,104
<b>Balance, end of period</b>	1,231,724	-	1,231,724

### Mining properties For the year ended December 31, 2021

	PERU		Total
	Quilacocha tailings and Excelsior stockpile	Santander	
Mining Properties	\$ -	\$ -	\$ -
Mining rights	-	-	-
Adjustments	192,006	-	192,006
	192,006	-	192,006
<b>Balance, beginning of period</b>	1,070,098	-	1,070,098
<b>Balance, end of period</b>	1,262,104	-	1,262,104

### Development, exploration and evaluation assets For the year ended December 31, 2022

	PERU		Total
	Quilacocha tailings and Excelsior stockpile	Santander	
Development, exploration and evaluation assets	\$ -	\$ -	\$ -
Acquisition	-	-	-
Exploration costs	-	5,470,202	5,470,202
Transfer to property, plant, & equipment	-	(3,380,707)	(3,380,707)
	-	2,089,495	2,089,495
<b>Balance, beginning of period</b>	144,111	5,245,338	5,389,449
<b>Balance, end of period</b>	144,111	7,334,833	7,478,944

### Development, exploration and evaluation assets For the year ended December 31, 2021

	PERU		Total
	Quilacocha tailings and Excelsior stockpile	Santander	
Development, exploration and evaluation assets	\$ -	\$ -	\$ -
Acquisition	-	5,203,662	5,203,662
Exploration costs	-	105,223	105,223
Transfer to property, plant, & equipment	-	(63,547)	(63,547)
	-	5,245,338	5,245,338
<b>Balance, beginning of period</b>	144,111	-	144,111
<b>Balance, end of period</b>	144,111	5,245,338	5,389,449

## FINANCIAL INFORMATION

### Fiscal year

The Company's fiscal-year end date is December 31. References to fiscal year 2022, fiscal year 2021, and fiscal year 2020 refer to the fiscal years ended December 31, 2022, 2021 and 2020, respectively.

### Functional and presentation currency

These selected annual and quarterly financial information and other financial information are presented in US dollars ("USD"). The functional currency of Cerro de Pasco Resources Inc. is the Canadian dollar ("CAD"). The functional currency of Cerro de Pasco Resources Sucursal del Peru and Santander is USD. The functional currency of H2-Sphere GmbH is the Euro. See Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2022, for change in presentation currency details.

### 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, 2022.

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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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.

Going concern

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

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 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 assessment 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").

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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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.

### Basis of depreciation of mining sites in production

Depreciation of mining assets is computed principally by the units-of-production method over life-of-mine based on estimated quantities of economically recoverable mineral resources, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the Santander mining operation in production (and related assets). However, in some instances, additional resources may be included. This may be the case, for example, where management is confident that resources will be economically recoverable.

In assessing which resources to include so as to best reflect the useful life of the mine, management considers resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the zinc price, exchange rates as well as cost inflation into account. Changes in the assumptions used in estimating the mineral resources may affect the net value of property, plant, and equipment, provisions for restoration of mining sites and the amortization and depletion expense.

### Inventories

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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

### Provision and contingent liabilities

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

### Purchase price allocation related to acquisition of Santander

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

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

### Changes in accounting policies

As a result of the acquisition and increased operations of the acquired subsidiary, Santander, the Company has changed its financial statement presentation currency from CAD to USD, effective January 1, 2022. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively. See Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2022 for change in presentation currency details.

There were no other accounting changes in accounting policy to disclose during the year ended December 31, 2022.

### 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, 2022, 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, profitability in the Santander mining operations 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.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **YEAR ENDED DECEMBER 31, 2022**

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### **SELECTED ANNUAL FINANCIAL INFORMATION**

The following selected information is derived from our audited consolidated financial statements for the year ended December 31, 2022, the audited and restated financial statements for the year ended December 31, 2021, and the audited and restated financial statements for the year ended December 31, 2020.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

	12/31/2022	12/31/2021 (Restated)	12/31/2020 (Restated)
Revenue from Zinc, Lead and Silver concentrate sales	40,591,297	7,120,766	-
Cost of sales	41,827,007	4,534,445	-
<b>Gross Profit</b>	<b>(1,235,710)</b>	<b>2,586,321</b>	<b>-</b>
Selling Expenses	1,006,458	139,105	-
Exploration and evaluation expenditures	3,647,368	544,887	-
Research and development expenses	247,447	-	-
General and administrative expenses	7,332,658	3,777,986	5,354,658
<b>Operating income (loss) before other revenues (expenses) and income tax</b>	<b>(13,469,641)</b>	<b>(1,875,657)</b>	<b>(5,354,658)</b>
Financial income	73,669	51,960	-
Financial expenses	(1,288,719)	(437,900)	(93,154)
Non-recoverable sales taxes	(146,216)	(61,189)	(56,318)
Change in fair value of other financial assets	(22,126)	(25,643)	(5,359)
Change in fair value of warrants and embedded derivative on convertible debenture	28,942	159,588	13,405
Write-off of property, plant and equipment	-	-	(1,515)
Gain on settlement of payables	-	75,521	-
Gain on convertible debenture refinancing	100,124	8,303	-
Gain on bargain purchase	-	561,123	-
Gain on Covid-19 related rent concessions	-	-	31,123
Gain (loss) on dissolution of subsidiaries	99,697	-	-
Government assistance	-	9,707	14,391
Change in fair value of contingent consideration	(1,308,495)	-	-
Exchange gain (loss)	(460,156)	74,676	(113,144)
<b>Total other revenues (expenses):</b>	<b>(2,923,280)</b>	<b>416,146</b>	<b>(210,571)</b>
<b>Loss before income taxes</b>	<b>(16,392,921)</b>	<b>(1,459,511)</b>	<b>(5,565,229)</b>
Income and mining taxes	(2,216,422)	(642,493)	(25,966)
<b>Net loss</b>	<b>(18,609,343)</b>	<b>(2,102,004)</b>	<b>(5,591,195)</b>
Items that will be reclassified subsequently to profit or loss			
Currency translation adjustment	516,564	(56,792)	288,148
<b>Other comprehensive loss (income) net of tax</b>	<b>516,564</b>	<b>(56,792)</b>	<b>288,148</b>
<b>Net and comprehensive loss</b>	<b>(18,092,779)</b>	<b>(2,158,796)</b>	<b>(5,303,047)</b>
<b>Net loss attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.	(18,558,677)	(2,102,004)	(5,591,195)
Non-controlling interests	(50,666)	-	-
	<b>(18,609,343)</b>	<b>(2,102,004)</b>	<b>(5,591,195)</b>
<b>Other comprehensive income (loss) attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.	514,452	(56,792)	288,148
Non-controlling interests	2,112	-	-
	<b>516,564</b>	<b>(56,792)</b>	<b>288,148</b>
<b>Total comprehensive loss attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.	(18,044,225)	(2,158,796)	(5,303,047)
Non-controlling interests	(48,554)	-	-
	<b>(18,092,779)</b>	<b>(2,158,796)</b>	<b>(5,303,047)</b>
<b>Weighted average number of common shares outstanding</b>	<b>287,651,238</b>	<b>270,855,089</b>	<b>260,206,865</b>
<b>Basic and diluted loss per share:</b>	<b>0.05</b>	<b>0.01</b>	<b>0.02</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

	12/31/2022	12/31/2021 (Restated)	12/31/2020 (Restated)
	\$	\$	\$
<b>Consolidated Statements of Financial Position</b>			
Cash and cash equivalents	992,301	9,981,779	704,288
Cash and cash equivalents - restricted	4,462,271	1,100,614	-
Accounts receivable	5,660,345	9,030,272	18,455
Other financial assets	66,240	93,812	118,869
Other receivables	2,456,496	841,236	52,448
Income and mining taxes receivable	701,060	753,214	-
Inventories	2,547,917	2,337,334	-
Prepaid expenses	1,194,902	660,887	124,266
<b>Total current assets</b>	<b>18,081,532</b>	<b>24,799,148</b>	<b>1,018,326</b>
Cash and cash equivalents - restricted	-	981,075	-
Right-of-use assets	-	-	32,600
Property, plant & equipment	9,085,578	5,841,310	41,194
Mining properties, exploration and evaluation assets	8,710,668	6,715,100	1,214,209
Other intangibles	-	14,988	-
<b>Total non-current assets</b>	<b>17,796,246</b>	<b>13,552,473</b>	<b>1,288,003</b>
<b>Total assets</b>	<b>35,877,778</b>	<b>38,351,621</b>	<b>2,306,329</b>
Trade accounts payable and other liabilities	29,095,996	14,951,573	2,210,530
Promissory note	818,719	1,047,672	-
Lease liabilities	-	-	41,479
Balance of purchase payable	1,674,194	1,674,194	-
Current portion of contingent consideration payable	2,493,844	-	-
Current portion of provision for remediation and mine closure	307,752	903,017	-
Current portion of loan	699,453	1,296,513	-
Convertible debenture	922,029	1,085,794	637,831
Embedded derivative on convertible debenture	-	52,081	30,168
Provision for contingent liability	1,715,112	-	-
<b>Total current liabilities</b>	<b>37,727,099</b>	<b>21,010,844</b>	<b>2,920,008</b>
Loan	-	641,640	17,790
Contingent consideration payable	-	1,102,191	-
Provision for rehabilitation and mine closure	13,891,385	13,810,698	-
Warrants - Liability	-	29,593	78,868
Deferred income tax	53,301	53,301	53,301
<b>Total non-current liabilities</b>	<b>13,944,686</b>	<b>15,637,423</b>	<b>149,959</b>
<b>Total liabilities</b>	<b>51,671,785</b>	<b>36,648,267</b>	<b>3,069,967</b>
Share capital	23,663,537	23,504,726	19,343,263
Warrants	1,198,470	943,032	581,652
Share options	1,492,827	1,453,541	1,454,140
Contributed surplus	762,546	621,309	517,764
Deficit	(43,609,287)	(25,050,610)	(22,948,606)
Accumulated other comprehensive income	742,050	231,356	288,149
<b>Total shareholders' equity (deficiency) attributable to owners of the parent company</b>	<b>(15,749,857)</b>	<b>1,703,354</b>	<b>(763,638)</b>
Non-controlling interest	(44,150)	-	-
<b>Total shareholders' equity (deficiency)</b>	<b>(15,794,007)</b>	<b>1,703,354</b>	<b>(763,638)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>35,877,778</b>	<b>38,351,621</b>	<b>2,306,329</b>

The basic and diluted loss per share during the year ended December 31, 2022, is \$0.05 (\$0.01 in 2021 and \$0.02 in 2020). During the year ended December 31, 2022, the Company realized a net loss of \$18,609,343 as compared to a net loss of \$2,102,004 for the year ended December 31, 2021 (an increase of \$16,507,339 in 2022 compared to 2021) and realized a net loss of \$5,591,195 for the year ended December 31, 2020 (a decrease of \$3,489,191 in 2021 compared to 2020).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED DECEMBER 31, 2022

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The increase of net loss of \$16,507,339 for the year ended December 31, 2022 as compared to 2021 is attributable to a significant increase in cost of sales of \$37,292,562, an increase in general and administrative expenses of \$3,554,672, an increase in research and development expenses of \$247,447, an increase in the change in fair value of contingent consideration of \$1,308,495, an increase in selling expenses of \$867,353 and a decrease in the gain on bargain purchase of \$561,123; offset by a significant increase in revenue from zinc, lead and silver concentrate sales of \$33,470,531 and a decrease in income and mining taxes of \$1,573,929.

For fiscal year 2022, compared to fiscal year 2021, the significant increases in revenue from zinc, lead, and silver concentrate sales and in cost of sales is due to the acquisition of the Santander mining operations in December of 2021. During fiscal year 2022, the Company increased its total for contingent consideration owed due to the Santander acquisition. This increased liability resulted in the increase in expense recognized due to the change in fair value of contingent consideration. Please see Note 7 within the Company's audited annual financial statement for the year ended December 31, 2022, for additional information relating to the contingent consideration for the Santander acquisition.

The decrease in net loss of \$3,489,191 for fiscal year 2021, as compared to fiscal year 2020 is attributable to an increase of \$4,534,445 in cost of sales, and an increase in costs related to the acquisition of a mining company of \$544,887; offset by an increase in revenue from zinc, lead and silver concentrate sales of \$7,120,766, a decrease in general and administrative expenses of \$1,576,672, and a gain on bargain purchase of \$561,123. The acquisition of the Santander mining operation in December of 2021 resulted in the recognition of the gain on bargain purchase of \$561,123 as well as the increase in revenue from zinc, lead, and silver concentrate sales and the increase in cost of sales.

The total assets as of December 31, 2022, were \$35,877,778 as compared to \$38,351,621 and \$2,306,329 as of December 31, 2021, and 2020, respectively. The decrease of \$2,473,843 in total assets at year end 2022 compared to year end 2021 was mainly due to a decrease in cash and cash equivalents of \$8,989,478, a decrease in accounts receivable of \$3,369,927, and a decrease in non-current cash and cash equivalents – restricted of \$981,075; offset by an increase in current cash and cash equivalents – restricted of \$3,361,657, an increase in property, plant and equipment of \$3,244,268, an increase in mining properties, exploration and evaluation assets of \$1,995,568, an increase in other receivables of \$1,615,260, and an increase in prepaid expenses of \$534,015.

The increase of \$36,045,292 in total assets as of December 31, 2021, compared to December 31, 2020, is mainly attributable to the acquisition of the Santander mining operations. The increase in total assets is mainly due to an increase of \$9,277,491 in cash and cash equivalents, an increase of \$2,081,689 in restricted cash in aggregate of current and non-current restricted cash, an increase of \$9,011,817 of accounts receivable, an increase of \$788,788 of other receivables, an increase of \$2,337,334 in inventories, an increase of property plant and equipment of \$5,800,116, and an increase of \$5,500,891 in mining properties, exploration and evaluation assets.

The total current liabilities as of December 31, 2022, were \$37,727,099 as compared to \$21,020,844 and \$2,920,008 for the years ended December 31, 2021, and 2020, respectively. The significant increase of \$16,716,255 in total current liabilities as of December 31, 2022, compared to December 31, 2021, is mainly due to the increase of \$14,144,423 in trade accounts payable and other liabilities, an increase in \$2,493,844 in the current portion of contingent consideration payable, the recognition of \$1,715,112 as a provision for taxes payable; offset by a decrease of \$597,060 in current portion of loan owed, and a decrease of \$595,265 in the current portion of provision for remediation and mine closure.

The significant increase of \$18,090,836 in total current liabilities as of December 31, 2021, compared to December 31, 2020, is mainly attributable to the acquisition of the Santander mining operations. The increase is attributable to an increase of \$12,741,043 in trade accounts payable and other liabilities, an increase of \$1,674,194 in the balance of purchase payable, an increase of \$1,296,513 in the current portion of the loan balance, an increase of \$1,047,672 in promissory notes, and an increase of \$903,017 in the current portion of provisioning for remediation and mine closure.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **YEAR ENDED DECEMBER 31, 2022**

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The total non-current liabilities as of December 31, 2022, were \$13,944,686, compared to \$15,637,423 and \$149,959 as of December 31, 2021, and 2020, respectively. The decrease in non-current liabilities as of December 31, 2022, compared to December 31, 2021, is mainly due to a decrease of \$1,102,191 in the contingent consideration payable as a result of its classification being categorized as current in 2022, and a decrease of \$641,640 in the non-current loan balance.

The \$15,487,464 increase in non-current liabilities as of December 31, 2021, compared to December 31, 2020, is mainly attributable to the acquisition of the Santander mining operations. The increase was mainly due to an increase of \$13,810,698 in the provision for rehabilitation and mine closure, as well as an increase of \$1,102,191 in contingent consideration payable.

The total equity as of December 31, 2022, was a deficiency of \$15,794,007 compared to equity of \$1,703,354 and a deficiency of \$763,638 as of December 31, 2021, and 2020, respectively.

The decrease of \$17,497,361 in equity as of December 31, 2022, compared to December 31, 2021, is mainly due to the increase in net loss of \$16,507,339; offset by the increase in other comprehensive income of \$510,694.

The increase of \$2,466,992 in equity as of December 31, 2021, compared to December 31, 2020, is mainly attributable to \$2,212,551 in common stock issued from private placements, \$1,627,100 of common stock shares issued for the acquisition of the Santander mining operation, \$397,691 in common stock issued due to costs related to the acquisition of the Santander mining operation, \$198,804 in warrants issued from private placements, and the \$3,489,193 decrease in net loss.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2022

#### Net loss

During fiscal year 2022, the Company realized a net loss of \$18,609,343 as compared to a net loss of \$2,102,004 for fiscal year 2021.

The increase in net loss of \$16,507,339 for fiscal year 2022 as compared to fiscal year 2021 is attributable to a significant increase in cost of sales of \$37,292,562, an increase in general and administrative expenses of \$3,554,672, an increase in exploration and evaluation expenditures of \$3,647,368, a decrease in costs related to the acquisition of a mining company of \$544,887, an increase in research and development expenses of \$247,447, an increase in the change in fair value of contingent consideration of \$1,308,495, an increase in selling expenses of \$867,353, a decrease in the gain on bargain purchase of \$561,123, and an increase in exchange loss of \$534,832. The increase in net loss for fiscal year 2022 compared to fiscal year 2021 was offset by a significant increase in revenue from zinc, lead, and silver concentrate sales of \$33,470,531 and a decrease in income and mining taxes of \$1,573,929.

The Company completed its acquisition of the Santander mining operation in December of 2021, and this acquisition resulted in overall increased activity within the revenue, cost of sales, and operating expenses accounts (among others) for fiscal year 2022, as compared to fiscal year 2021. During fiscal year 2022, the Company increased the total liability it recognized for contingent consideration owed due to the Santander acquisition. This increased liability resulted in the increase in expense recognized due to the change in fair value of contingent consideration. Please see Note 7 within the Company's audited annual financial statement for the year ended December 31, 2022, for additional information relating to the contingent consideration for the Santander acquisition. During 2022, the Company also recorded a net deferred tax asset, which when netted against the income and mining taxes incurred due to the company's operations caused the decrease in income and mining taxes for fiscal year 2022 compared to fiscal year 2021.

During the year ended December 31, 2021, the Company realized a net loss of \$2,102,004 as compared to a net loss of \$5,591,195 for the year ended December 31, 2020.

The decrease of \$3,489,191 in net loss for the year ended December 31, 2021 as compared to 2020 is mainly due to an increase in revenue from zinc, lead, and silver concentrate sales of \$7,120,766, a decrease in general and administrative sales of \$1,576,674, and a gain on bargain purchase of \$561,123; offset by an increase to cost of sales of \$4,534,445, income and mining taxes of \$616,527, and costs related to the acquisition of a mining company of \$544,887. The Company completed its acquisition of the Santander mining operation in December of 2021, and this acquisition resulted in overall increased activity within the revenue, cost of sales, and operating expenses accounts (among others) for fiscal year 2021, as compared to fiscal year 2020. Additionally, the gain on bargain purchase during fiscal year was due to the Santander mining operations acquisition.

#### Operating expenses

During the year ended December 31, 2022, operating expenses were \$12,233,931 as compared to \$4,461,978 for the year ended December 31, 2021.

The significant increase of \$7,771,953 for 2022 as compared to 2021 in operating expenses is mainly due to an increase in research and development expenses of \$247,447 (\$247,447 in 2022 compared to \$0 in 2021), an increase of \$3,647,368 in exploration and evaluation expenditures (\$3,647,368 in 2022 compared to \$nil), a decrease of \$544,887 in costs related to the acquisition of a mining company, an increase of \$1,501,420 in salaries and employee benefit expenses (\$2,864,993 in 2022 compared to \$1,363,573 in 2021), an increase of \$588,022 in management and consulting fees (\$1,607,009 in 2022 compared to \$1,018,987 in 2021), an increase of \$497,614 in general and administrative expense (\$699,512 in 2022 compared to \$201,898 in 2021) an increase of \$405,218 in professional fees (\$771,751 in 2022 compared to \$366,533 in 2021).

During the year ended December 31, 2021, operating expenses were \$4,461,978 as compared to \$5,354,658 for the year ended December 31, 2020.

The decrease of \$892,680 for 2021 as compared to 2020 in operating expenses is mainly attributable to a decrease in management and consulting fees of \$824,130 (\$1,018,987 in 2021 compared to \$1,843,117 in 2020), a decrease in share-based compensation of \$568,780 (\$54,364 in 2021 compared to \$623,144 in 2020),

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED DECEMBER 31, 2022

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and a decrease in business development expenses of \$420,629 (\$319,958 compared to \$740,587 in 2020); offset by an increase in exploration and evaluation expenditures of \$544,887 (\$544,887 in 2021 compared to \$0 in 2020), an increase in salaries and employee benefit expense of \$218,226 (\$1,363,573 in 2021 compared to \$1,145,347 in 2020), and an increase in \$201,898 (\$201,898 in 2021 compared to \$0 in 2020).

#### **Other revenues (expenses)**

During the year ended December 31, 2022, the other expenses, net of revenues (expenses) was \$(2,923,280) as compared to other revenues of \$416,146 for 2021.

The net decrease of \$3,339,426 in other revenues (expenses) from fiscal year 2022 as compared to 2021 was mainly attributable to the expense of \$1,308,495 in the change in fair value of contingent consideration, an increase in exchange loss of \$534,832, a decrease in the gain on bargain purchase of \$561,123, and an increase in financial expenses of \$850,819.

During fiscal year 2021, other revenues, net of other expenses, was \$416,146 as compared to other expenses of \$210,571 for fiscal year 2020. The net increase in other revenues was mainly due to the gain on bargain purchase of \$561,123.

#### **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 audited annual financial statements and our unaudited quarterly financial statements for the two most recently completed financial years:

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS</b>								
Revenue from Zinc, Lead and Silver concentrate sales	9,898,469	9,220,817	6,891,234	14,580,777	7,120,766	-	-	-
Cost of Sales	13,335,712	10,511,822	8,249,807	9,729,666	4,534,445	-	-	-
Gross Profit	<b>(3,437,243)</b>	<b>(1,291,005)</b>	<b>(1,358,573)</b>	<b>4,851,111</b>	<b>2,586,321</b>	-	-	-
Expenses:								
Selling Expenses	304,195	305,929	179,564	216,770	139,105	-	-	-
Exploration and evaluation expenditures	2,810,495	-	836,873	-	-	-	-	-
Research and development expenses	76,115	56,724	3,319	111,289	544,887	-	-	-
General and administrative expenses	1,349,996	1,496,940	2,103,326	2,382,395	1,333,977	703,437	806,090	934,482
<b>Operating income (loss) before other revenues (expenses) and income tax</b>	<b>(7,978,044)</b>	<b>(3,150,598)</b>	<b>(4,481,655)</b>	<b>2,140,657</b>	<b>568,352 #</b>	<b>(703,437) #</b>	<b>(806,090) #</b>	<b>(934,482)</b>
<b>Other revenues (expenses)</b>								
Financial income	5,480	5,407	15,844	46,938	51,960	-	-	-
Financial expenses	(361,621)	(309,592)	(282,696)	(334,810)	(177,579)	(74,230)	(120,731)	(65,360)
Non-recoverable sales taxes	(146,216)	-	-	-	(48,782)	(6,092)	(8,269)	1,954
Change in fair value of other financial assets	(1,150)	(20,976)	-	-	(42,935)	14,340	8,631	(5,679)
Change in fair value of warrants and embedded derivative on convertible debenture	1,504	27,438	-	-	77,288	21,527	37,372	23,401
Change in fair value of contingent consideration	32,693	(1,341,188)	-	-	-	-	-	-
Gain on settlement of payables	-	-	-	-	-	-	75,521	-
Gain on convertible debenture refinancing	100,124	-	-	-	-	-	8,303	-
Gain on bargain purchase	-	-	-	-	561,123	-	-	-
Government assistance	-	-	-	-	-	-	9,707	-
Exchange gain (loss)	99,953	(390,187)	(131,244)	(38,678)	(111,379)	216,861	(4,067)	(26,739)
Gain (loss) on dissolution of subsidiaries	(3,578)	103,275	-	-	-	-	-	-
<b>Total other revenue (expense)</b>	<b>(272,811)</b>	<b>(1,925,823)</b>	<b>(398,096)</b>	<b>(326,550)</b>	<b>309,696</b>	<b>172,406</b>	<b>6,467</b>	<b>(72,423)</b>
<b>Income and mining taxes</b>	<b>(1,777,517)</b>	<b>(423,631)</b>	<b>448,437</b>	<b>(463,711)</b>	<b>(642,493)</b>	-	-	-
<b>Net income (loss)</b>	<b>(10,028,372)</b>	<b>(5,500,052)</b>	<b>(4,431,314)</b>	<b>1,350,396</b>	<b>235,555</b>	<b>(531,031)</b>	<b>(799,623)</b>	<b>(1,006,905)</b>
<b>Other comprehensive income (loss)</b>								
Currency translation adjustment	69,688	378,095	179,916	(111,135)	(41,648)	(144,649)	64,403	65,102
<b>Other comprehensive income (loss) net of tax</b>	<b>69,688</b>	<b>378,095</b>	<b>179,916</b>	<b>(111,135)</b>	<b>(41,648)</b>	<b>(144,649)</b>	<b>64,403</b>	<b>65,102</b>
<b>Net comprehensive income (loss)</b>	<b>(9,958,684)</b>	<b>(5,121,957)</b>	<b>(4,251,398)</b>	<b>1,239,261</b>	<b>193,907</b>	<b>(675,680)</b>	<b>(735,220)</b>	<b>(941,803)</b>
<b>Net income (loss) loss attributable to:</b>								
Shareholders of Cerro de Pasco Resources Inc	(10,013,020)	(5,488,544)	(4,429,845)	1,372,733	235,555	(531,031)	(799,623)	(1,006,905)
Non-controlling interests	(15,352)	(11,508)	(1,469)	(22,337)	-	-	-	-
<b>Other comprehensive income (loss) attributable to:</b>								
Shareholders of Cerro de Pasco Resources Inc	67,577	374,567	180,727	(111,018)	(41,648)	(144,649)	64,403	65,102
Non-controlling interests	2,111	3,528	(811)	(117)	-	-	-	-
<b>Total comprehensive income (loss)</b>								
Shareholders of Cerro de Pasco Resources Inc	(9,945,443)	(5,113,977)	(4,249,118)	1,261,715	193,907	(675,680)	(735,220)	(941,803)
Non-controlling interests	(13,241)	(7,980)	(2,280)	(22,454)	-	-	-	-
<b>Weighted averages shares outstanding</b>	<b>287,651,238</b>	<b>287,579,400</b>	<b>287,523,961</b>	<b>287,123,835</b>	<b>270,855,089</b>	<b>275,442,851</b>	<b>273,282,030</b>	<b>266,694,738</b>
<b>Basic and diluted income (loss) per share:</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>								
Cash and cash equivalents	992,301	2,150,242	3,756,537	6,892,901	9,981,779	514,830	1,347,851	20,083
Cash and cash equivalents - restricted	4,462,271	5,483,902	4,389,168	(174,267)	1,100,614	-	-	-
Accounts receivable	5,660,345	2,464,661	4,846,543	8,875,775	9,030,272	-	-	-
Other receivables	2,456,498	332,495	1,071,462	1,275,310	841,236	83,684	114,170	172,022
Income and mining taxes receivable	701,060	671,100	1,452,071	753,214	753,214	-	-	-
Inventories	2,547,917	2,352,207	2,628,738	1,987,751	2,337,334	-	-	-
Prepaid expenses	1,194,902	2,374,169	575,739	1,412,490	660,887	63,684	72,062	115,683
Cash and cash equivalents - restricted (non-current)	-	-	1,881,075	6,440,391	981,075	-	-	-
Property, plant & equipment	9,085,578	8,490,660	5,804,910	5,643,087	5,841,310	30,281	33,917	37,498
Deferred income tax	-	-	264,149	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	10,767
Mining properties, exploration and evaluation assets	8,710,668	9,828,184	8,936,168	7,418,927	6,715,100	1,214,259	1,214,146	1,214,165
<b>Total assets</b>	<b>35,877,780</b>	<b>34,217,372</b>	<b>35,706,410</b>	<b>40,632,422</b>	<b>38,351,621</b>	<b>2,042,621</b>	<b>2,907,324</b>	<b>1,685,023</b>
Trade accounts payable and other liabilities	29,095,996	18,446,912	15,588,087	15,611,028	14,951,573	1,555,125	1,771,573	2,497,523
Promissory note	818,719	886,783	1,051,040	1,131,560	1,047,672	-	-	-
Balance of purchase payable	1,674,194	1,674,194	1,674,194	1,674,194	1,674,194	-	-	-
Current portion contingent consideration payable	2,493,844	-	-	-	-	-	-	-
Current portion of provision for rehabilitation and mine closure	307,752	2,135,906	3,348,161	1,780,964	903,017	-	-	-
Current portion of loan	699,453	999,118	1,344,737	1,383,937	1,296,513	-	-	-
Convertible debenture	922,029	866,888	1,149,792	1,157,944	1,085,794	1,038,263	1,025,539	687,497
Provision for taxes payable	1,715,112	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>37,727,099</b>	<b>25,058,090</b>	<b>24,207,371</b>	<b>22,792,595</b>	<b>21,010,844</b>	<b>2,641,918</b>	<b>2,843,714</b>	<b>3,250,983</b>
Loan	-	-	22,719	371,774	641,640	26,356	26,153	18,670
Warrants - Liability	-	-	29,183	30,097	29,593	45,301	71,609	53,754
Deferred income tax	53,301	74,291	-	257,510	53,301	53,303	53,298	53,299
Contingent consideration payable	-	2,526,537	1,102,191	1,102,191	1,102,191	-	-	-
Provision for rehabilitation and mine closure	13,891,385	12,584,416	11,325,459	12,812,161	13,810,698	-	-	-
<b>Total non-current liabilities</b>	<b>13,944,686</b>	<b>15,185,244</b>	<b>12,479,552</b>	<b>14,573,733</b>	<b>15,637,423</b>	<b>124,960</b>	<b>151,060</b>	<b>125,723</b>
<b>Equity (Deficiency)</b>	<b>(15,794,005)</b>	<b>(6,025,962)</b>	<b>(980,513)</b>	<b>3,266,094</b>	<b>1,703,354</b>	<b>(724,257)</b>	<b>(87,450)</b>	<b>(1,691,683)</b>

The net loss of \$10,028,372 for Q4-2022 is mainly attributable to net losses from the Santander mining operations of \$4,368,843 offset by the gain from income and mining taxes of \$1,777,517.

The net loss of \$5,500,052 for Q3-2022 is mainly attributable to losses from Santander mining operations of \$3,970,830, \$1,341,188 of losses due to the change in the fair value of contingent consideration, and \$1,529,222 of losses from other operations which were mainly attributable to general and administrative expenses of \$1,496,940.

The net loss of \$4,431,314 for Q2-2022 is mainly attributable to losses from Santander mining operations of \$2,694,569 compared to losses of \$1,736,745 from other operations, which were mainly attributable to general and administrative expenses of \$2,103,326.

The net income of \$1,350,396 for Q1-2022 is mainly attributable to profits from the Santander mining operations of \$3,524,401 offsetting \$2,174,004 of losses from other operations which were mainly attributable to general and administrative expenses of \$2,382,395.

The net income of \$235,555 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 \$531,031 for Q3-2021 is mainly attributable to general and administrative expenses of \$703,437.

The net loss of \$799,623 for Q2-2021 is mainly attributable to general and administrative expenses of \$806,090.

The net loss of \$1,006,905 for Q1-2021 is mainly attributable to general and administrative expenses of \$934,482.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2022

#### Net loss

The basic and diluted loss per share for the three-month period ended December 31, 2022, is \$0.02 as compared to \$0.00 for the three-month period ended December 31, 2021.

During the three-month period ended December 31, 2022, the Company realized a net loss of \$10,028,372 as compared to net income of \$235,555 for the three-month period ended December 31, 2021.

This increase in losses over profits of \$10,263,927 is attributed to the losses incurred by the Santander mining operations.

#### Operating expenses

During the three-month period ended December 31, 2022, operating expenses were \$4,540,801 as compared to \$2,017,969 for the three-month period ended December 31, 2021.

The increase in operating expenses of \$2,522,832 for the three-month period ended December 31, 2022, as compared to the three-month period ended December 31, 2021, is mostly attributable to an increase in exploration and evaluation expenditures of \$2,810,495, an increase in selling expenses of \$165,090, offset by a decrease in costs related to the acquisition of a mining operation of \$468,772.

#### Other revenue and expenses

During the three-month period ended December 31, 2022, the other expenses were \$272,811 as compared to other revenues of \$309,696 for the three-month period ended December 31, 2021.

The net decrease of \$582,507 in other revenues (expenses) for the three-month period ended December 31, 2022, as compared to the three-month period ended December 31, 2021 is attributable to a decrease in the gain on bargain purchase of \$561,123; offset by an increase of finance expenses of \$184,042, and an increase in non-recoverable sales taxes of \$97,434.

### CASH FLOWS

#### Cash flows used for operating activities

Cash flows used for operating activities were \$486,624 during the year ended December 31, 2022, a decrease of \$6,668,288 as compared to cash flows used for operating activities of \$7,154,912 during the year December 31, 2021. The decrease is mostly explained by a decrease of \$11,717,152 in cash flows used for operating activities before changes in working capital (negative cash flows of \$12,877,812 for 2022 as compared to negative cash flows of \$1,160,660 for 2021) combined with an increase of \$18,385,440 in cash flows from change in working capital items (positive cash flows of \$12,391,188 for 2022 as compared to negative cash flows of \$5,994,252 for 2021).

#### Cash flows used for financing activities

Cash flows used in financing activities were \$1,711,435 during the year ended December 31, 2022, a decrease of \$5,490,106 as compared to cash flows from financing activities of \$3,778,671 during the year ended December 31, 2021.

The decrease of \$5,490,106 is mostly attributable to a decrease of \$2,391,440 in proceeds from private placements (\$0 in fiscal year 2022 compared to \$2,391,440 in fiscal year 2021), an increase of \$1,238,687 of loan repayments (\$1,238,687 in fiscal year 2022 compared to \$0 in fiscal year 2021), a decrease of \$1,196,400 in proceeds from promissory notes (\$0 in fiscal year 2022 as compared to \$1,196,400 in fiscal year 2021).

#### Cash flows used for investing activities

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED DECEMBER 31, 2022

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Cash flows used for investing activities were \$7,061,427 during the year ended December 31, 2022, a decrease of \$20,096,535 as compared to cash flows from financing activities of \$13,035,108 during the year ended December 31, 2021.

The decrease of \$20,096,535 in cash flows from investing activities were primarily attributed to the decrease in cash flows from the acquisition of the Santander mining operations of \$16,139,800 (\$0 in fiscal year 2022 compared to \$16,139,800 in fiscal year 2021), an increase in cash flows used in investments in mining concessions and mining development of \$2,089,495 (\$2,089,495 in fiscal year 2022 compared to \$0 in fiscal year 2021), and an increase in cash flows used in the acquisition of property, plant and equipment of \$2,027,533 (\$5,002,312 in fiscal year 2022 compared to \$2,794,779 in fiscal year 2021).

#### 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:

	Twelve month period ended	
	December 31, 2022	December 30, 2021
	\$	\$
Management and consulting fees	2,542,413	1,062,742
Salaries and director's fees	684,830	109,188
	<u>3,227,243</u>	<u>1,171,930</u>

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 \$23,086. In consideration for such transfer, Genius Metals issued

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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to the Company 9,797,970 Genius Metals common shares for a consideration of \$2,685,007. The transfer was recorded at the carrying amount of the assets and liabilities transferred. Notwithstanding that the liabilities related to the flow-through shares were transferred to Genius Metals, the Company retains the ultimate responsibility for the tax liability related to these financings. Genius Metals would indemnify the Company for any such liability.

### Subsequent events

On January 8, 2023, the Company extended the terms of 4,283,277 common share purchase warrants pursuant to private placement offerings between April 8, 2021, and May 27, 2021. These warrants entitled its holder to purchase one common share of the Corporation at an exercise price of CA\$ 0.50, originally expiring in April and May 2023. The maturity date was extended to May 27, 2024, at the same exercise price of CA\$0.50.

On January 9, 2023, the remaining balance of consideration payable to Trevali for the acquisition of the Santander Mine was due. As a result of a dispute with Trevali this amount has not been paid. The Company has ongoing negotiations and is considering potential counter-claim litigation. This is due to recently discovered events that occurred prior to the purchase of the Santander mine that would have affected the purchase price at time of purchase. Currently, the amount of this claim is inestimable for accounting purposes.

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

On February 22, 2023, the Company issued 40,000 common shares at a price of CA\$0.105 per share to consultants for services performed.

On March 15, 2023, the Company re-negotiated their outstanding promissory note. The maturity date was extended to December 31, 2023 and the interest rate was reduced to 10%, and on March 27, 2023, the Company repaid CA\$600,000 reducing the principal amount due to CA\$580,000

On March 22, 2023, the Company issued 8,895,000 units in a private placement at a price of CA\$0.10 per unit for proceeds of CA\$889,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 24, 2025.

On March 24, 2023, the Company issued 7,160,000 units in a private placement at a price of CA\$0.10 per unit for proceeds of CA\$716,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 24, 2025.

On March 31, 2023, the Company issued 9,190,000 units in a private placement at a price of CA\$0.10 per unit for proceeds of CA\$919,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 31, 2025.

### Off-financial position arrangements

As at December 31, 2022, 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 significant doubt on the Company's ability to continue as a going concern and, accordingly, the

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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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, 2022, the Company recorded a net loss of \$18,609,343 (\$2,102,005 in 2021) due mainly to exploration and development in the Santander mine. The accumulated deficit of \$43,609,287 as at December 31, 2022 (\$25,050,610 as at December 31, 2021) is attributable to all sectors of the Company. As at December 31, 2022, the Company had negative working capital of \$19,645,566 (positive working capital of \$3,788,304 as at December 31, 2021) consisting of cash and cash equivalents, restricted and not restricted, of \$5,454,572 (\$11,082,393 as at December 31, 2021). This casts significant doubt regarding the Company's ability to continue as a going concern; unless any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. In the year ended December 31, 2021, the Company raised approximately \$2.4 million from private placements consisting of common shares to fund exploration works and working capital (approximately \$16.1 million net cash achieved in the acquisition of the Santander mining operations). In the year ended December 31, 2022, the Company was unable to obtain additional financing through liability or equity raises but was able to delay payments on past due amounts through negotiation with vendors and third-party lenders. The Company was able to raise additional funds of about \$2,060,000 during the first quarter of 2023 to mitigate cash flow concerns. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the continued support from the Company's suppliers and lenders, and 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, 2022, the Company recorded a net loss of \$18,609,343 (\$2,102,005 in fiscal year 2021) due mainly to losses incurred by the Santander mining operations in the EL Metalurgista Project. As of December 31, 2022, the Company had an accumulated deficit of \$43,609,287 (\$25,050,610 as of December 31, 2021) and an accumulated other comprehensive income (loss) of \$742,050 (\$231,356 as of December 31, 2021). As of December 31, 2022, the Company had a negative working capital of \$19,645,566 (a positive working capital of \$3,788,304 as of December 31, 2021) consisting of cash and cash equivalents of \$992,301 (\$9,981,779 as of December 31, 2021). For the year ended December 31, 2022, the Company used \$1,711,435 in cash flows from financing activities (cash flows from financing activities provided \$3,778,671 during the year ended December 31, 2021).

In the past, the Company's principal sources of financing have been equity and debt financing, with the notable exception of the \$13,139,800 of net positive cash flows from investing activities caused by the acquisition of the Santander mining operations in December of 2021. For the period ending December 31, 2022, the Company had an increase of \$18,385,440 in the cash flows from the change in working capital items (positive cash flows of \$12,391,188 for fiscal year 2022 compared to negative cash flows of \$5,994,252 for fiscal year 2021), and an offsetting increase of \$11,712,827 in cash flows used in operating activities before changes in working capital items (negative cash flows of \$12,877,812 for fiscal year 2022 compared to \$1,160,660 for fiscal year 2021), resulting in a net decrease in cash flows used in operating activities of \$6,672,613 (negative cash flows of \$482,299 in fiscal year 2022 compared to negative cash flows of \$7,154,912 in fiscal year 2021).

### 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 and long-term debt. 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, 2022. 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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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.

### Outstanding Share Data

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

	<b>Number of shares outstanding (diluted)</b>
Outstanding as of April 28, 2023	313,175,934
Shares reserved for issuance pursuant to share purchase options	10,955,000
Shares reserved for issuance pursuant to warrants	42,171,134
Convertible debentures	<b>6,017,444</b>
	<b>372,319,512</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED DECEMBER 31, 2022

The following table reflects the share purchase options issued and outstanding as at the date of this MD&A (expressed in Canadian Dollars):

Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
August 19, 2023	200,000	200,000	0.40	0.3
August 28, 2023	200,000	200,000	0.40	0.4
March 7, 2024	5,300,000	5,300,000	0.40	0.9
March 29, 2024	50,000	50,000	0.40	0.9
May 6, 2024	200,000	200,000	0.40	1.1
September 16, 2024	200,000	200,000	0.40	1.4
August 28, 2025	3,765,000	3,765,000	0.40	2.4
March 2, 2027	1,040,000	1,040,000	0.40	3.9
	<b>10,955,000</b>	<b>10,955,000</b>	<b>0.40</b>	<b>1.7</b>

The following table reflects the share purchase warrants issued and outstanding as at the date of this MD&A (expressed in Canadian Dollars):

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
May 27, 2024	1,697,500	0.50	1.1
May 27, 2024	1,511,063	0.50	1.1
May 27, 2024	532,214	0.50	1.1
May 27, 2024	542,500	0.50	1.1
June 15, 2023	1,857,143	0.50	0.2
December 20, 2023	785,714	0.50	0.7
November 26, 2024	3,000,000	0.50	1.6
July 18, 2025	500,000	0.50	2.3
July 26, 2025	500,000	0.50	2.3
August 26, 2025	500,000	0.50	2.4
September 26, 2025	500,000	0.50	2.4
October 26, 2025	400,000	0.25	2.5
November 8, 2025	3,000,000	0.25	2.6
November 26, 2025	400,000	0.25	1.6
December 22, 2025	400,000	0.25	2.3
January 26, 2026	400,000	0.25	1.6
February 26, 2026	400,000	0.25	2.3
March 22, 2025	8,895,000	0.25	2.3
March 24, 2025	7,160,000	0.25	2.4
March 31, 2025	9,190,000	0.25	2.4
	<b>42,171,134</b>	<b>0.32</b>	<b>2.1</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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### 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.

### OPERATIONAL RISKS

#### INDUSTRY CONDITIONS

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

#### CERTAIN RISKS ASSOCIATED WITH THE EL METALURGISTA CONCESSION

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

#### ENVIRONMENTAL MATTERS

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

#### LICENSES AND PERMITS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEAR ENDED DECEMBER 31, 2022

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As part of its exploration and processing activities or future projects, the Company is required to obtain several permits. Although the Company believes it will obtain the required permits, there is no assurance it will receive such permits or it may face administrative delays in doing so, which could impact its operations.

Failure to comply with applicable laws and regulations and permit requirements or amendments to them could have a harmful effect on the Company and could cause an increase of capital expenditures, exploration costs or production costs, or a decrease in the levels of production. Such amendments or the implementation of such laws and regulations could further cause the abandonment or delay the development of certain properties of the Company. No assurance can be provided or obtained that the Company will be able to obtain or maintain all required permits for the construction, development or operation of mining facilities on these properties on terms which enable operations to be conducted at economically justifiable costs.

### POLITICAL AND COUNTRY RISKS

The mineral property interests of the Company are located in Peru. The Company believes that Peruvian government supports the development of its natural resources by foreign companies. 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, taxation, exchanges rates, environmental protection, labor relations, and the repatriation of funds. The possibility that a future government may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out. The Company'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 stability factors such as mass riots, civil war and other potential events contribute to companies' operational risks. Currently and since its operation began in Peru, the Company has not suffered any of these risks.

### PRODUCTION AND COST ESTIMATES

No assurance can be given that the intended or expected production schedules or the estimated cash costs and capital expenditures will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on our future cash flows, profitability, results of operations and financial condition. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. In addition, short-term operating factors, such as the processing of new or different ore material and ore grades, may cause a mining operation to be less profitable in any particular period.

### DEPENDENCE ON MANAGEMENT

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its executive officers and directors. See "Directors and Officers" for details of the Company's current management. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### COMPETITION

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

### SHARE PRICE VOLATILITY

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

### UNINSURED RISK

The mining industry is subject to significant risks such as adverse environmental conditions or regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions,



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ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums.

The Company currently maintains available insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but it is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the costs of remedying an environmental problem, it might be required to suspend operations or enter costly interim compliance measures pending completion of a permanent remedy.

### LITIGATION

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may, in the future, be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition. There are no significant proceedings against the Company as at the date of this annual information form.

### INCREASED COSTS AND COMPLIANCE RISKS OF BEING A PUBLIC COMPANY

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with recently adopted or proposed corporate governance related requirements.

The Company also expects these new rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

### ANTI-CORRUPTION LAWS

The Company's operations are governed by, and involve interactions with, many levels of government in two countries. Its operations take place in jurisdictions ranked unfavorably under Transparency International's Corruption Perception Index. The Company is required to comply with anti-corruption and anti-bribery laws, including the Criminal Code, the Canadian Corruption of Foreign Public Officials Act, as well as similar laws in Peru, where the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anticorruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Although the Company is implementing policies to mitigate such risks, including internal monitoring, reviews and audits, and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees, contractors or third-party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation, business, financial condition and results of operations.

### EXPLORATION AND MINING RISKS

Although the Company's activities are primarily directed towards mining operations, the Company is also engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. Some of the Company's property interests are in the exploration and evaluation stage only. The

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business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Future profitability will be impacted by the Company's success in locating economic deposits of minerals. There can be no assurance that any economic deposit of minerals located by the Company will lead to commercial mining operation.

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

The Company is subject to risks and hazards inherent to the mining industry, including fluctuations in metal prices, costs of operations, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, as well as the costs of protection of the environment and agricultural lands), and industrial accidents and labor actions or unrest. The occurrence of any of these factors could materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

### STAGE OF DEVELOPMENT

The Company may be unable to maintain or increase annual production, and changes in the production outlook will have an effect on the Company's cash flow from operations. Although the Company's activities are primarily directed towards mining operations, its activities also include the exploration for, and development of, mineral deposits. The Company must continually replace and expand Mineral Reserves depleted by production to maintain production levels over the long term. The Company's ability to maintain or expand production will depend on its ability to expand known ore bodies, locate new deposits, make acquisitions or bring new mines into production.

Material changes in Mineral Reserves and Mineral Resources, grades, production or recovery rates may affect the economic viability of projects. There is a risk that depletion of Mineral Reserves will not be offset by discoveries, acquisitions, or the conversion of Mineral Resources into Mineral Reserves. The mineral base of CDPR's operations may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine lives, based on current production rates. Exploration is highly speculative in nature. CDPR's exploration projects involve many risks. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. The Company can provide no assurance that it will be able to maintain or increase its annual production, bring new mines into production or expand the Mineral Reserves and Mineral Resources at existing mines.

A decrease in the amount of, or a change in the timing of the production outlook for, or in the prices realized for, metals of the Company will directly affect the amount and timing of the Company's cash flow from operations. The actual effect of such a decrease on the Company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls, delays in receiving permits, delays in construction, delays in commissioning the mines or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to fund capital expenditures, including capital for the Company's development projects, in the future. Any such financing requirements could adversely affect the Company's ability to access capital markets in the future to meet any external financing requirements or increase its debt financing costs.

### RISKS RELATED TO STATUTORY AND REGULATORY COMPLIANCE

Existing and possible future laws, regulations and permits governing the operations and activities of the Company, or more stringent implementation thereof, could have a material adverse impact on the Company business and cause increases in capital expenditures or require abandonment or delays in exploration.

The current and future operations of the Company, from exploration through development activities and commercial production, are and will be governed by applicable laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related

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facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Uninsured Risk".

### TITLE RISKS

Although title to its properties has been reviewed by or on behalf of the Company, no assurance can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Peru, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### CONFLICT OF INTERESTS

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

### KEY EMPLOYEES

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

## FINANCIAL RISKS

### METAL PRICE VOLATILITY

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

### FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's activities and offices are currently located in Canada and Peru. The functional currency of the Company is the Canadian dollar. The assets, liabilities, revenues, and expenses of Peru operations are denominated in USD. The Company is a party to contracts denominated in USD. The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between the USD and the Canadian dollar. The USD is subject to fluctuation in value vis-à-vis the Canadian Dollar. The Company does not utilize hedging programs to any degree to mitigate the effect of currency fluctuations.

### CAPITAL NEEDS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **YEAR ENDED DECEMBER 31, 2022**

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To fund its growth, the Company may be dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. A source of future funds available to the Company is the sale of additional equity capital and the borrowing of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favorable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

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

#### **CANADA CUSTOMS AND REVENUE AGENCY**

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

#### **REPUTATIONAL RISK**

The consequence of reputational risk is a negative impact to the Company's public image, which may influence its ability to acquire future mining projects and retain or attract key employees. Reputational risk may arise under many situations including, among others, cyber-attacks and media crisis. Prior to acquire a project, the Company mitigates reputational risk by performing due diligence, which includes a review of the mining project, the country, the scope of the project and local laws and culture. Once the decision to participate in a mining project has been taken, the Company continues to assess and mitigate reputational risk through regular Board and Board's Committees reviews.

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## YEAR ENDED DECEMBER 31, 2022

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### 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, 2022.
- 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.