



# MANAGEMENT'S DISCUSSION & ANALYSIS



Three-month and six-month periods ended  
June 30, 2023  
(Second Quarter)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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 six-month periods ended June 30, 2023. It includes a review of the Company's financial condition and review of operations for the three-month and six-month periods ended June 30, 2023, as compared to the three-month and six-month periods ended June 30, 2022.

This MD&A complements the condensed interim consolidated financial statements for the three-month and six-month periods ended June 30, 2023, 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 condensed interim consolidated financial statements as at June 30, 2023 and related notes thereto as well as the audited annual consolidated financial statements, accompanying notes and Management's Discussion and Analysis for the year ended December 31, 2022.

The condensed interim consolidated financial statements for the three-month and six-month period ended June 30, 2023, and 2022 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 June 30, 2023. On August 18, 2023, the Audit Committee of the Board of Directors approved for issuance, the condensed interim consolidated financial statements for the three-month and six-month period ended June 30, 2023.

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 August 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

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

### 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 has operated at an average of 60k tpd (tonnes per day) with recoveries of 94.3% for zinc, 68.2% for lead and 48.3% for silver. The Company expects to produce for ~27.4kt payable ZnEq in 2023.

#### 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 NI 43-101 PEA Study

The Santander Pipe NI 43-101 PEA Study 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 \$52M.

The expansion project is expected to generate more than \$50M in cash over the LoM for a post-tax NPV of \$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 \$ 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 \$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 \$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.
- The Company signed agreement with the local community, extending the surface rights contract.

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### BUSINESS DEVELOPMENT HIGHLIGHTS Q2 2023

#### ➤ **Filing of Preliminary Economic Assessment for the Santander Pipe Project**

On April 11, 2023, the Company announced it has filed on SEDAR an independent Preliminary Economic Assessment ("PEA") for its brownfield Pipe Project ("the Project" or "the Santander Pipe"). The Project forms a strategic cornerstone for CDPR's 100% owned Santander Mine, located in central Peru. The PEA report is entitled "NI 43-101 Technical Report Cerro de Pasco Resources Preliminary Economic Assessment Santander Pipe Deposit, Huaral, Lima, Peru", dated April 11th, 2023 (effective date January 31st, 2023) and was prepared by DRA Global, an international mining consultancy, in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

#### ➤ **Issuance of Shares**

On May 17, 2023, the Company issued to two service providers a total of 40,000 common shares valued at CA\$4,800 for business development consultancy and consulting fees.

#### ➤ **Private Placement Financing**

On June 5, 2023, the Company concluded a private placement by issuing 10,400,000 units at a price of CA\$0.10 per unit for proceeds of CA\$1,004,000. Each unit consists of one common share and one warrant for a total of 10,400,000 common shares and 10,400,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 with an expiry date of two years.

On June 23, 2023, the Company concluded a private placement by issuing 1,027,500 units at a price of CA\$0.10 per unit for proceeds of CA\$102,750. Each unit consists of one common share and one warrant for a total of 1,027,500 common shares and 1,027,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 with an expiry date of two years.

#### ➤ **Santander Mine Exploration and Drilling Campaign Update**

On June 19, 2023, the Company reported an update on its drilling and exploration campaign at its wholly owned Santander Mine in Peru. Highlights included:

- New La Cuñada Zone in the Santander Pipe. The zone starts at the surface of the historic open pit (4580 masl) down to the bottom of the pit (4380 masl), and then continues downward to the historic underground operation at level 4220 (where the Upper-Zone starts).
- Positive results were achieved from recent relogging and digitization of historical data relating to the La Cuñada Zone, comprising 12 historic drill holes totaling 1380 meters and 123 composites, together with 32 historic plans; and modeling of mineralized domains (High-grade, Low-grade, Skarn core) as well as depletion solids from previous mining.
- The La Cuñada Zone in the Santander Pipe involves vertical mineralization of approximately 200 meters and has the potential to add 2-3M tonnes with between 3-4% Zn grade 0.3-0.4% Pb, 0.6-0.7 oz/tn Ag and 0.10-0.12% Cu. The La Cuñada Zone, for practical purposes, is divided into two zones: (1) Superficial Zone "La Isla", consisting of a remnant volume from old open pit mining, and; (2) "La Cuñada-underground", which corresponds to historic underground mining.
- The Company plans to develop an exploration ramp from the surface whereby the cost will be offset over time through replacement of the previously planned shaft/winch for the Santander Pipe area. Through this exploration ramp, CDPR expects to have access to exposed Skarn mineralization inside the open pit by Q4 2024.
- The 2023 Puajanca Drilling campaign comprised 8 boreholes totaling 2,208 meters of drilling. Highlights include:
- The drill holes SAN-0295 and SAN-0297 intersected 39.6 meters grading 2.92% Zinc 0.81% Lead, 0.02% Copper and 1.60 opt Silver.

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- Overall, the Puajanca drilling campaign intercepted 61.8 meters of mineralization with average grades of 2.96% Zinc 0.98% Lead, 0.03% Copper and 1.8 opt Silver.
- **Signed Term Sheets for an Aggregate of \$20.5 million for Development of the Santander Mine**
- On June 28, 2023, the Company announced that it has signed a term sheet with Ocean Partners UK Limited (“OPUK”), a metals trading firm and Arena Investors, LP (“ARENA”), a global asset manager, to provide an aggregate of \$12.0M to \$15.5M, consisting of a \$8.0M loan facility from ARENA and a \$4.0M to \$7.5M revolving concentrate pre-payment facility from OPUK (together the “Financing”). In addition, the Company has secured a \$5.0M term sheet with a private Peruvian fund in exchange for a 10% ownership position in CDPR’s Santander subsidiary (the “Equity Interest”). The purpose of the Financing and Equity Interest will be to strengthen the Company’s balance sheet during the physical development stage of the Santander Pipe Project at its Santander Mine in Peru.

### BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Signed Term Sheet for an Additional \$12.0 million for Development of the Santander Mine**
- On July 25, 2023, the Company announced that it signed a Term Sheet with China Railway N° 10 Engineering Group CO. LTD., Sucursal del Perú (“CREC10”), an engineering and construction company, providing \$12.0M of services to be used for the construction of infrastructure and development of the Santander Pipe Project (the “Funded Construction Services”). In addition, CREC10 will provide contract mining services at the Santander Mine. CREC10 is part of China Railway Group, a major corporate conglomerate and a Fortune Global 500 company.
- **Santander Operations – Curtailed Operations Plan**
- On August 1, 2023, the Company announced that due to macro-economic pressures affecting zinc price, the Santander operations will go into a new operations plan that contemplates temporary curtailment (the “Curtailed Operations Plan”).

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### SANTANDER MINE, PERU

#### Production Results

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

		Q2 23	Q2 22	Var	1H 23	1H 22
<b>Production</b>						
Zn Price	(\$/t)	2,539	3,925	-35%	18,964	14,879
Ore Mined	t	185,050	94,207	96%	363,285	189,125
Ore Milled	t	185,210	94,207	97%	361,694	189,125
Zn Head Grade	%/t	3.14	3.30	-5%	3.20	3.82
Pb Head Grade	%/t	0.31	0.30	3%	0.29	0.22
Ag Head Grade	oz/t	0.71	0.50	42%	0.67	0.50
Zn Recovery	%	93.64	94.80	-1%	94.32	95.10
Pb Recovery	%	68.61	71.10	-4%	68.21	72.78
Ag recovery	%	50.38	47.30	7%	48.27	48.35
Zn Concentrate	t	11,508	6,129	88%	23,060	14,172
Pb Concentrate	t	773	372	108%	1,339	666
Ag ounces	Oz	69,862	22,405	212%	117,660	41,959
Zn Payable Production	Mlbs	10.0	5.5	83%	20,035	32,709
Pb Payable Production	Mlbs	0.82	0.39	112%	1,471	1,656
Ag Payable Production	Oz	66,369	19,639	238%	111,777	108,634
<b>Sales</b>						
Zn Payable sold	Mlbs	8.5	4.1	109%	8.6	6.7
Pb Payable sold	Mlbs	0.5	0.3	110%	0.5	0.3
Ag Payable sold	Oz	20,616	7,468	176%	17,514	9,197
C1 Cash Cost <sup>1</sup>	\$/lb	1.34	2.28	-41%	1.50	1.95
AISC <sup>1</sup>	\$/lb	1.60	2.46	-35%	1.78	2.09
Development meters		1,593	1,213	4%	3,435	1,987
<b>Finance</b>						
Revenues, net	(000)s \$	4,515	6,891	-34%	16,820	21,472
Cost of Goods Sold	(000)s \$	-11,893	-8,249	-44%	-26,499	-17,979
Gross Profit	(000)s \$	-7,378	-1,436	-413%	-9,679	3,493
Sales and Admin Expenses	(000)s \$	-760	-689	-10%	-1,411	-1,273
Adjusted EBIT	(000)s \$	-8,138	-2,047	-297%	-11,090	2,220
Other income (expense)		-599	-61	-882%	-1,462	-79
EBITDA <sup>1</sup>	(000)s \$	-8,737	-2,108	314%	-12,551	2,141
Depreciation	(000)s \$	1,603	265	504%	3,011	527
EBIT <sup>1</sup>	(000)s \$	-7,134	-1,843	287%	-9,541	2,668
<b>AISC Total Costs</b>						
Mine Operating Expenses	(000)s \$	10,644	10,963	-3%	24,007	21,216
Smelting and refining	(000)s \$	4,385	1,990	120%	8,749	4,449

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Distribution	(000)s \$	312	180	74%	614	396
Royalties	(000)s \$	22	25	-14%	71	53
Less: By-product revenues	(000)s \$	(1,984)	(717)	177%	(3,339)	(1,395)
C1 total costs	(000)s \$	13,378	12,441	8%	30,102	24,719
Sustaining CAPEX	(000)s \$	2,628	1,011	160%	5,506	1,813
Lease Payments	(000)s \$					
AISC total costs	(000)s \$	16,006	13,451	19%	35,608	26,532
Pounds of zinc payable produced	Mlbs	10.0	5.5	83%	20.0	12.7
C1 Cash Cost per pound	\$US	1.34	2.28	-41%	1.50	1.95
All-in Sustaining Cost per pound	\$US	1.60	2.46	-35%	1.78	2.09

### Q2 2023 Highlights

- Metal production was 10 million pounds of zinc, 820 thousand pounds of lead, and 66 thousand ounces of silver. These production figures represent an 83% increase in Zn, 112% increase in Pb and 238% increase in Ag, respectively over Q2 2022 production.
- Revenue in Q2 23 was impacted by \$3.9 million of negative final settlements from Q1 23 sales and further exacerbated by a 35% decrease in quarter over quarter zinc prices.
- Mine Production was 185,000 tonnes mined and total underground mine development was 1,593 meters.
- Ore Mined and Milled increased 96% compared to Q2 22 due to the resumption of a normal production rate as per compliance with the production plan.
- Zn Concentrate production increased by 88% mainly due to the 96% increase in ore milled and maintaining ore recovery efficiency of over 93%.
- Cost of goods sold increased 44% as compared to Q2 22 due to the production increase of 96%.
- C1 Cash Cost decreased by 41% compared to Q2 22 due to the resumption of normal production rates and improved cost plans. Since January 2023 the Company has implemented an aggressive cost reduction plan.
- The Company met metal production guidance for 1H 2023.
- On June 19<sup>th</sup>, 2023, the Company announced the discovery of La Cuñada Zone at the Santander Pipe, an additional potential resource that benefits the Pipe project. The La Cunada zone starts at the surface of the historic open pit (4580 masl), continues to the bottom of the pit (4380 masl), and ends at the historic underground operation (level 4220 - where the Upper-Zone starts).
- The La Cuñada Zone in the Santander Pipe involves vertical mineralization of approximately 200 meters and has the potential to add 2-3M tonnes with grades between 3-4% Zn, 0.3-0.4% Pb, 0.6-0.7 oz/tn Ag and 0.10-0.12% Cu. The La Cuñada Zone, for practical purposes, is divided into two zones: (1) Superficial Zone "La Isla", consisting of a remnant volume from old open pit mining, and (2) "La Cuñada-underground", which corresponds to historic underground mining.
- The 2023 Puajanca drilling was completed in early June. Puajanca, which is within proximity to the existing operation combined with the addition of La Cuñada potential zone are exciting complements to the Santander Pipe package. The campaign comprised 8 boreholes totaling 2,208 meters of drilling. Highlights include:
  - a) The drill holes SAN-0295 and SAN-0297 intersected 39.6 meters grading 2.92% Zinc 0.81% Lead, 0.02% Copper and 1.60 opt Silver.
  - b) Overall, the Puajanca drilling campaign intercepted 61.8 meters of mineralization with average grades of 2.96% Zinc 0.98% Lead, 0.03% Copper and 1.8 opt Silver.



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### 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 \$40/tonne with metal prices of: \$3,000/tonne for Zn, \$2,200/tonne for Pb, and \$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 \$40/tonne with metal prices of \$3,000/tonne for Zn, \$2,200/tonne for Pb, \$9,300/tonne for Cu, and \$25/Oz for Ag.
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.

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### 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 \$30 million in capital expenditures over the next two years, consisting of \$22 million for development of the Santander Pipe project, \$9 million for new infrastructure and \$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.
- From January to June 2023 the realized value for the price of zinc fell by over 28% due to inflationary pressures and broader market volatility in the global economy. Despite this scenario, the Company has secured term sheets for a total of \$30.5 million in aggregate funding to execute the Santander Pipe Project.
- In press releases dated June 28, 2023 and July 25, 2023 the Company announced the signing of term-sheets totaling an aggregate \$29.0M – \$32.5M. The funding package consist of a mix of senior debt, off-take revolver, local equity and Funded Construction Services, which will be used to strengthen the company's balance sheet and secure construction of the critical projects needed for the Company's Santander Pipe Project in Peru
- In a press release dated August 1<sup>st</sup>, 2023, the Company announced the implementation of a new operations plan that contemplates temporary curtailment of the Santander operations. The company has implemented the Curtailed Operations Plan in order to assure the Pipe Project can be executed despite current Market conditions. As part of the Curtailed Operations Plan the Company anticipates the following:
  - 1) Santander operation will temporarily suspend production from the Magistral area until Q4 2023 and smoothly transition to a new mining contractor as outlined in the July 18<sup>th</sup> Term-Sheet signed with China Railway N° 10 Engineering Group CO. LTD., Sucursal del Perú ("CREC10").
  - 2) Continue the execution of the main project items of the Santander Pipe Project, as outlined in the Term-Sheet signed with CREC10.
  - 3) Complete the cost-reduction-plan by executing on a contractor and supplier cost restructuring program.
  - 4) Upon restarting production from Magistral in Q4 2023, mining will be limited to stope areas at rates that remain profitable at a low zinc price environment.
  - 5) During the curtailed operations period the Santander mine will benefit from other sources of revenue such as processing external ore at its processing facilities.
  - 6) CDPR anticipates processing of ore from the Pipe Project to start in Q1 2024. As ore mining rates increase from the Pipe area, the Santander Mine will gradually return to normal milling production by the end of Q2 2024.
  - 7) During the temporary suspension of mine production from Magistral, the Company will maintain its operations workforce at the Santander Mine, continue with mine dewatering and all other safety and environmental activities. The Curtailed Operation Plan will also comply with all applicable regulations.
  - 8) CDPR has already sent communication to its suppliers and contractors at the Santander Mine. Furthermore, Cerro de Pasco Resources Subsidiaria del Peru SAC., a subsidiary of CDPR, submitted on July 21<sup>st</sup>, 2023, a letter to Peruvian authorities, Direccion General de Minería "DGM", informing of the temporary suspension of Magistral related activities at the Santander Mine.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

- The company expects to complete construction of the Magistral-Pipe-Tunnel by Q3-2024.
- By delineating further underground zones of potential mineral resources at La Cuñada, the Company can fast-track ore from the Pipe by Q1 of 2024. This also adds an additional 3-4 Million tonnes of potential ore to the resource.
- Accessing La Cuñada from the surface replaces the need to rehabilitate the Shaft. By replacing the shaft rehabilitation and construction with a La Cunada exploration ramp, the company achieves significant CAPEX savings while ultimately achieving the same goal of connecting to the Santander Pipe.
- The company anticipates completing construction of the La Cunada exploration ramp by Q1 2024.
- Complete an underground drilling campaign of the Santander Pipe and Pipe North Extension by Q2-2024.
- Produce a new NI 43-101 mineral resource statement.
- Further strengthen balance sheet through obtainment of project financing and working capital.

### 2023 Production Guidance & Outlook - Revised

As a result of the Curtailed Operations Plan, CDPR revises estimates for 2023 zinc and lead production to a new estimated range of 27.5 to 34.7 million lbs on a \*ZnEq. basis, compared to prior guidance of 41.7 to 55.4 million lbs on ZnEq<sup>(3)</sup>

	Units	Guidance 2023 REVISED	
Payable production of ZnEq <sup>1</sup>	(000)s lbs	27,496	- 34,731
Payable production of Zinc	(000)s lbs	24,746	- 31,258
Payable production of Lead	(000)s lbs	1,316	- 1,662
Payable production of Silver	(000)s oz	123	- 155

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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

### 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

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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 \$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, minerology studies, resource estimation and economic assessment. Funds will be disbursed in accordance with a schedule of milestones. The first disbursement will occur upon obtainment of easement.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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.

### **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 disadvantages 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.

In order to fulfill the requirements to obtain the authorization to start exploration activities from the General Mining Bureau of Mining of the Ministry of Energy and Mines (DGM, for its acronym in Spanish), on August

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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25th, 2022, CDPR requested the DGM to impose an easement for 2 years over a part of the plot called Parcel "K", owned by Activos Mineros S.A.C. ("AMSAC").

The following phases of the process have been completed:

- a. Mining expert opinion obtained.
- b. Conciliation stage lead by the Centre of Conflict Resolution of the Catholic University of Peru (PUCP) completed.
- c. Valuation of the easement request by an agronomic expert appointed by the Ministry of Housing, Construction and Sanitation (MVCS, for its acronym in Spanish) conducted.
- d. CDPR has formally confirmed to the DGM its request for the granting of the easement.

The following milestones are expected to be obtained in September 2023:

- a. The DGM forwards the complete file to the Ministry of Agricultural Development and Irrigation (**MIDAGRI**, for its acronym in Spanish) for the issuance of a favorable technical opinion.
- b. Once MIDAGRI's opinion is received, the DGM prepares the draft Supreme Resolution that sets the amount of compensation to be paid for the easement, along with the minutes of the easement establishment. This Supreme Resolution requires the signature of the Minister of Energy and Mines, the Ministry of Agriculture, and the President of the Republic.

### CORPORATE OBJECTIVES FOR 2023

- Complete Drilling Campaign for Quiulaocha 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 Quiulaocha Tailings and Excelsior stockpile.
- Produce a Resource Estimate on Quiulaocha Tailings
- Complete Geophysical, Mineralogical and Metallurgical studies on the Quiulaocha 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
- 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

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

### MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month and six-month periods ended June 30, 2023 and 2022.

#### Mining properties For the three-months ended June 30, 2023

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Mining Properties	\$	\$	\$
Mining rights	-	-	-
Additions	-	-	-
	-	-	-
Balance, beginning of period	1,453,246	-	1,453,246
Balance, end of period	1,453,246	-	1,453,246

#### Mining properties For the three-months ended June 30, 2022

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Mining Properties	\$	\$	\$
Mining rights	-	-	-
Additions	-	-	-
	-	-	-
Balance, beginning of period	1,262,104	-	1,262,104
Balance, end of period	1,262,104	-	1,262,104

#### Mining properties For the six-months ended June 30, 2023

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Mining Properties	\$	\$	\$
Mining rights	-	-	-
Additions	221,522	-	221,522
	221,522	-	221,522
Balance, beginning of period	1,231,724	-	1,231,724
Balance, end of period	1,453,246	-	1,453,246

#### Mining properties For the six-months ended June 30, 2022

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Mining Properties	\$	\$	\$
Mining rights	-	-	-
Additions	-	-	-
	-	-	-
Balance, beginning of period	1,262,104	-	1,262,104
Balance, end of period	1,262,104	-	1,262,104

#### Development, exploration and evaluation assets For the three-month period ended June 30, 2023

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Development, exploration and evaluation assets	\$	\$	\$
Exploration costs	-	45,098	45,098
Transfer to property, plant, & equipment	-	-	-
	-	45,098	45,098
Balance, beginning of period	144,111	7,841,669	7,985,780
Balance, end of period	144,111	7,886,767	8,030,878

#### Development, exploration and evaluation assets For the three-month period ended June 30, 2022

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Development, exploration and evaluation assets	\$	\$	\$
Exploration costs	-	1,517,241	1,517,241
Transfer to property, plant, & equipment	-	-	-
	-	1,517,241	1,517,241
Balance, beginning of period	144,111	6,012,712	6,156,823
Balance, end of period	144,111	7,529,953	7,674,064

#### Development, exploration and evaluation assets For the six-month period ended June 30, 2023

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Development, exploration and evaluation assets	\$	\$	\$
Exploration costs	-	551,934	551,934
Transfer to property, plant, & equipment	-	-	-
	-	551,934	551,934
Balance, beginning of period	144,111	7,334,833	7,478,944
Balance, end of period	144,111	7,886,767	8,030,878

#### Development, exploration and evaluation assets For the six-month period ended June 30, 2022

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
Development, exploration and evaluation assets	\$	\$	\$
Exploration costs	-	2,284,615	2,284,615
Transfer to property, plant, & equipment	-	-	-
	-	2,284,615	2,284,615
Balance, beginning of period	144,111	5,245,338	5,389,449
Balance, end of period	144,111	7,529,953	7,674,064



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### FINANCIAL INFORMATION

#### 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

Please refer to Note 3 of the 2022 audited annual consolidated financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income, and expenses.

#### Changes in accounting policies

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 three-month and six-month periods ended June 30, 2023.

#### 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

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

### 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.

	2023		2022		2022		2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS</b>								
Revenue from Zinc, Lead and Silver concentrate sales	4,515,149	12,304,938	9,898,469	9,220,817	6,891,234	14,580,777	7,120,766	-
Cost of Sales	11,893,488	14,805,490	13,335,712	10,511,822	8,249,807	9,729,868	4,534,445	-
Gross Profit	(7,378,339)	(2,300,552)	(3,437,243)	(1,291,005)	(1,358,573)	4,851,111	2,586,321	-
Expenses:								
Selling Expenses	311,885	302,479	304,195	305,929	179,564	216,770	139,105	-
Exploration and evaluation expenditures	-	-	2,810,495	-	836,873	-	-	-
Research and development expenses	-	-	-	-	-	-	544,887	-
General and administrative expenses	2,208,240	2,222,042	1,349,498	1,496,120	2,099,299	2,382,001	1,333,977	703,437
Operating income (loss) before other revenues (expenses) and income tax	(9,896,444)	(4,825,073)	(7,901,431)	(3,093,054)	(4,474,309)	2,252,340	568,352	(703,437)
Other revenues (expenses)								
Financial income	(166,318)	22,515	5,480	5,407	15,844	46,938	51,960	-
Financial expenses	(336,074)	(315,811)	(361,621)	(309,592)	(282,696)	(334,810)	(177,579)	(74,230)
Non-recoverable sales taxes	-	-	(146,216)	-	-	-	(48,782)	(6,092)
Change in fair value of other financial assets	(26,733)	2,655	(1,150)	(20,976)	-	-	(42,935)	14,340
Change in fair value of warrants and embedded derivative on convertible del	-	-	1,504	27,438	-	-	77,288	21,527
Change in fair value of contingent consideration	6	(6,156)	32,693	(1,341,188)	-	-	-	-
Gain on settlement of payables	-	-	-	-	-	-	-	-
Gain on convertible debenture refinancing	-	-	100,124	-	-	-	-	-
Gain on bargain purchase	-	-	-	-	-	-	561,123	-
Government assistance	-	-	-	-	-	-	-	-
Exchange gain (loss)	46,032	(276,173)	99,811	(390,187)	(131,244)	(38,678)	(111,379)	216,861
Gain (loss) on dissolution of subsidiaries	-	-	(3,578)	103,275	-	-	-	-
Total other revenue (expense)	(483,087)	(572,970)	(272,953)	(1,925,823)	(398,096)	(326,550)	309,696	172,406
Income and mining taxes	(63,559)	(374,008)	(1,777,517)	(423,631)	448,437	(463,711)	(642,493)	-
Net income (loss) from continuing operations	(10,443,090)	(5,772,051)	(9,951,901)	(5,442,508)	(4,423,968)	1,462,079	235,555	(531,031)
Other comprehensive income (loss) from continuing operations								
Currency translation adjustment	(78,743)	284	41,490	391,683	183,386	(110,552)	(41,648)	(144,649)
Other comprehensive income (loss) net of tax	(78,743)	284	41,490	391,683	183,386	(110,552)	(41,648)	(144,649)
Net comprehensive income (loss) from continuing operations	(10,521,833)	(5,771,767)	(9,910,411)	(5,050,825)	(4,240,582)	1,351,527	193,907	(675,680)
Net income (loss) from discontinued operations	(1,604)	(9,718)	(76,472)	(57,541)	(7,347)	(111,884)	-	-
Other comprehensive income (loss) from discontinued operations	1,385	(1,097)	28,198	(13,588)	(3,470)	(583)	-	-
Net comprehensive income (loss) from discontinued operations	(219)	(10,816)	(48,273)	(71,129)	(10,817)	(112,268)	-	-
Net comprehensive income (loss)	(10,522,052)	(5,782,582)	(9,958,685)	(5,121,954)	(4,251,399)	1,239,260	193,907	(675,680)
Net income (loss) attributable to:								
Shareholders of Cerro de Pasco Resources Inc.	(10,444,373)	(5,779,826)	(10,013,078)	(5,488,541)	(4,429,846)	1,372,731	235,555	(531,031)
Non-controlling interest	(321)	(1,944)	(15,294)	(11,508)	(1,469)	(22,337)	-	-
Other comprehensive income (loss) attributable to:								
Shareholders of Cerro de Pasco Resources Inc.	(77,635)	(594)	64,048	380,813	180,610	(111,018)	(41,648)	(144,649)
Non-controlling interest	277	(219)	5,640	(2,718)	(694)	(117)	-	-
Net comprehensive income (loss) attributable to:								
Shareholders of Cerro de Pasco Resources Inc.	(10,522,008)	(5,780,419)	(9,949,030)	(5,107,728)	(4,249,236)	1,261,713	193,907	(675,680)
Non-controlling interest	(44)	(2,163)	(9,655)	(14,226)	(2,163)	(22,454)	-	-
Weighted averages shares outstanding	316,148,489	289,353,767	287,651,238	287,579,400	287,523,961	287,123,835	270,855,089	275,442,851
Basic and diluted income (loss) per share - continuing operations	(0.03)	(0.02)	(0.03)	(0.02)	(0.02)	0.01	0.00	(0.00)
Basic and diluted income (loss) per share - discontinued operation:	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	N/A	N/A
Basic and diluted income (loss) per share:	(0.03)	(0.02)	(0.03)	(0.02)	(0.02)	0.00	0.00	(0.00)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

	2023		2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>								
Cash and cash equivalents	1,563,191	1,464,415	992,301	2,150,242	3,756,537	6,892,901	9,981,779	514,830
Cash and cash equivalents - restricted	4,575,332	4,575,332	4,462,271	5,483,902	6,270,243	785,456	1,100,614	-
Accounts receivable	444,274	6,691,851	5,660,345	2,464,661	4,846,543	8,875,775	9,030,272	-
Other receivables	5,419,004	3,889,578	2,456,498	332,495	1,071,460	1,296,660	841,236	83,684
Income and mining taxes receivable	146,794	734,048	701,060	671,100	1,452,071	753,214	753,214	-
Inventories	2,243,973	2,404,669	2,547,917	2,352,207	2,628,738	1,987,751	2,337,334	-
Prepaid expenses	968,870	1,669,816	1,194,902	2,374,169	575,739	1,412,490	660,887	63,684
Cash and cash equivalents - restricted (non-current)	-	-	-	-	-	5,459,317	981,075	-
Property, plant & equipment	11,535,465	10,526,812	9,085,578	8,490,660	5,804,910	5,643,087	5,841,310	30,281
Deferred income tax	-	-	-	-	264,149	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-
Mining properties, exploration and evaluation assets	9,484,124	9,439,026	8,710,668	9,828,184	8,936,168	7,418,927	6,715,100	1,214,259
<b>Total assets</b>	<b>36,425,309</b>	<b>41,465,049</b>	<b>35,877,780</b>	<b>34,217,372</b>	<b>35,706,408</b>	<b>40,632,421</b>	<b>38,351,621</b>	<b>2,042,621</b>
Trade accounts payable and other liabilities	43,896,107	39,456,842	29,095,996	18,446,912	15,588,087	15,611,028	14,951,573	1,555,125
Promissory note	438,074	428,562	816,719	886,783	1,051,040	1,131,560	1,047,672	-
Balance of purchase payable	1,720,125	1,662,775	1,674,194	1,674,194	1,674,194	1,674,194	1,674,194	-
Current portion contingent consideration payable	2,500,000	2,500,000	2,493,844	-	-	-	-	-
Current portion of provision for rehabilitation and mine closure	404,757	357,385	307,752	2,135,906	3,348,161	1,780,964	903,017	-
Current portion of loan	28,178	371,885	699,453	999,118	1,344,737	1,383,937	1,296,513	-
Convertible debenture	990,509	987,636	922,029	866,888	1,149,792	1,157,944	1,085,794	1,038,263
Provision for taxes payable	1,803,393	1,715,112	1,715,112	-	-	-	-	-
<b>Total current liabilities</b>	<b>51,781,143</b>	<b>47,507,586</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>
Loan	-	-	-	-	22,719	371,774	641,640	26,356
Warrants - Liability	-	-	-	-	29,183	30,097	29,593	45,301
Deferred income tax	311,812	311,812	53,301	74,291	-	257,510	53,301	53,303
Contingent consideration payable	-	-	-	2,526,537	1,102,191	1,102,191	1,102,191	-
Provision for rehabilitation and mine closure	13,891,385	13,891,385	13,891,385	12,584,416	11,325,459	12,812,161	13,810,698	-
<b>Total non-current liabilities</b>	<b>14,203,197</b>	<b>14,203,197</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>Equity (Deficiency)</b>	<b>(29,559,031)</b>	<b>(20,245,734)</b>	<b>(15,794,005)</b>	<b>(6,025,962)</b>	<b>(980,963)</b>	<b>3,266,093</b>	<b>1,703,354</b>	<b>(724,257)</b>

The net loss of \$10,444,373 for Q2-2023 is mainly attributable to net losses from Santander mining operations of \$9,286,436. Increases in cost of sales led to a larger gross loss quarter-over-quarter.

The net loss of \$5,779,826 for Q1-2023 is mainly attributable to net losses from Santander mining operations of \$4,356,593.

The net loss of \$10,013,078 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 \$5,488,541 for Q3-2022 is mainly attributable to loss from Santander mining operations of \$3,970,830, \$1,341,188 of losses due to the change in fair value of contingent consideration, and \$1,529,222 of losses from other operations which were mainly attributable to general and administrative expenses of \$1,496,120.

The net loss of \$4,429,846 for Q2-2022 is mainly attributable to losses from Santander mining operations of \$2,694,569 compared to losses of \$1,735,277 from other operations, which were mainly attributable to general and administrative expenses of \$2,099,299.

The net income of \$1,372,731 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 \$2,382,001.

The net income of \$235,555 for Q4-2021 is mainly attributable to profits from Santander mining operations.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2023

#### Net loss

The basic and diluted loss per share for the three-month period ended June 30, 2023, is \$0.03 as compared to a loss of \$0.02 for the three-month period ended June 30, 2022.

During the quarter ended June 30, 2023, the Company realized a net loss of \$10,444,373 as compared to a net loss of \$4,429,846 for the quarter ended June 30, 2022.

This increase in losses of \$6,014,527 is mainly attributable to the losses from Santander mining operations of \$9,286,436 and loss from other operations of \$1,157,937.

#### Operating expenses

During the three-month period ended June 30, 2023, operating expenses from continuing operations were \$2,518,125 as compared to \$3,115,737 for the three-month period ended June 30, 2022. The decrease in operating expenses is largely attributable to a decrease in exploration and evaluation expenditures of \$836,873 for the three-months ended June 30, 2023.

#### Other revenues (expenses)

During the three-month period ended June 30, 2023, total other revenue (expenses) was (\$483,087) as compared to other revenue (expenses) of (\$398,096) for the three-month period ended June 30, 2022.

The net increase of \$84,991 is mainly attributable to a decrease in Santander's financial income.

### RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

#### Net loss

The basic and diluted loss per share for the six-month period ended June 30, 2023, is \$0.05 as compared to a loss of \$0.01 for the six-month period ended June 30, 2022.

During the six-months ended June 30, 2023, the Company realized a net loss of \$16,224,198 as compared to a net loss of \$3,057,112 for the six-months ended June 30, 2022.

This increase in losses of \$13,167,086 is mainly attributable to the losses from Santander mining operations of \$13,643,029 and loss from other operations of \$2,581,170.

#### Operating expenses

During the six-month period ended June 30, 2023, operating expenses from continuing operations were \$5,042,645 as compared to \$5,714,505 for the six-month period ended June 30, 2022. The decrease in operating expenses is largely attributable to a decrease in exploration and evaluation expenditures of \$836,873 for the six-months ended June 30, 2023.

#### Other revenues (expenses)

During the six-month period ended June 30, 2023, total other revenue (expenses) was (\$1,056,057) as compared to other revenue (expenses) of (\$724,646) for the six-month period ended June 30, 2022.

The net increase of \$331,411 is mainly attributable to an increase in Santander's financial expenses.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

### CASH FLOWS

#### Cash flows from (used for) operating activities

Cash flows from operating activities were \$5,461,348 during the six-months ended June 30, 2023, an increase of \$8,234,713 as compared to cash flows used for operating activities of (\$2,773,365) during the six-months ended June 30, 2022. The increase is mostly attributable to an increase of \$18,851,572 in cash flows from change in working capital items. This increase was offset by an increase of net losses of \$13,145,545.

#### Cash flows from (used for) financing activities

Cash flows from financing activities were \$1,379,175 during the six-months ended June 30, 2023, an increase of \$2,063,184 as compared to cash flows used in financing activities of (\$684,009) for the six-months ended June 30, 2022.

The increase was mostly caused by proceeds received from shares issued of \$2,678,309, offset by repayments of the loan, promissory note, and convertible note of \$506,512, and share issuance costs of \$104,209.

#### Cash flows used for investing activities

Cash flows used for investing activities were (\$6,270,325) during the six-months ended June 30, 2023, a decrease of \$3,471,830 as compared to cash flows used for investing activities of (\$2,798,495) for the six-months ended June 30, 2022.

The decrease of \$3,471,830 in cash flows used for investing activities were primarily attributable to expenditures related to the acquisition of property, plant, and equipment that increased by \$4,982,990. Acquisition of exploration and evaluation assets increased by \$221,522. This was offset by the decrease in investment in mining concessions and mining development by \$1,732,682.

### 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:

	Three-months ended		Six-months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Management and consulting fees	321,998	455,893	641,879	1,188,708
Salaries and director's fees	106,202	88,149	214,737	203,334
	428,200	544,042	856,616	1,392,042

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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### Contingency

Please refer to Note 32 of the audited financial statements for the year ended December 31, 2022, for a summary of the Company's commitments.

### Off-financial position arrangements

As at June 30, 2023, 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 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.

### Liquidity and capital resources

For the six-month period ended June 30, 2023, the Company recorded a net loss of \$16,224,198 due mainly to losses incurred by the Santander mining operations in the El Metalurgista Project. As of June 30, 2023, the Company had an accumulated deficit of \$59,833,485 (\$43,609,287 as of December 31, 2022) and an accumulated other comprehensive income(loss) of \$663,821 (\$742,050 as of December 31, 2022). As of June 30, 2023, the Company had a negative working capital of \$36,375,423 (negative working capital of \$19,645,567 as of December 31, 2022) consisting of unrestricted cash and cash equivalents of \$1,563,191 (\$992,301 as of December 31, 2022). For the six-months ended June 30, 2023, the Company retrieved \$5,461,348 from operating activities, \$1,379,175 from financing activities, and used \$6,270,325 from investing activities, leading to a net cash flow of \$570,198.

Management believes that while these funds may be adequate to operate the Santander mine it may not be sufficient to meet the obligations and commitments of the Company as a whole. These uncertainties cast 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 six-months ended June 30, 2023, the Company raised about \$2.7 million from private placements consisting of common shares to fund exploration works and working capital needs. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in future operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets.

### 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 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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 August 25, 2023	324,323,434
Shares reserved for issuance pursuant to share purchase options	10,630,000
Shares reserved for issuance pursuant to warrants	51,680,991
Convertible debentures	5,412,492
	<b>392,046,917</b>

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

<b>Expiry date</b>	<b>Number of granted share options</b>	<b>Number of exercisable share options</b>	<b>Exercise price \$</b>	<b>Remaining life (years)</b>
August 28, 2023	200,000	200,000	0.40	0.0
March 7, 2024	5,300,000	5,300,000	0.40	0.5
May 6, 2024	200,000	200,000	0.50	0.7
September 16, 2024	200,000	200,000	0.40	1.1
August 28, 2025	3,690,000	3,690,000	0.40	2.0
March 2, 2027	1,040,000	1,040,000	0.40	3.5
	<b>10,630,000</b>	<b>10,630,000</b>	<b>0.40</b>	<b>1.3</b>

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

Expiry date	Number of outstanding warrants	Exercise price \$	Remaining life (years)
December 20, 2023	785,714	0.50	0.3
May 27, 2024	4,283,277	0.50	0.8
November 8, 2024	3,000,000	0.50	1.2
November 26, 2024	3,000,000	0.25	1.3
March 22, 2025	8,895,000	0.25	1.6
March 24, 2025	7,160,000	0.25	1.6
March 31, 2025	9,190,000	0.25	1.6
May 31, 2025	1,968,000	0.25	1.8
June 5, 2025	8,357,500	0.25	1.8
June 20, 2025	450,000	0.25	1.8
June 23, 2025	591,500	0.25	1.8
July 18, 2025	500,000	0.50	1.9
July 26, 2025	500,000	0.50	1.9
August 26, 2025	500,000	0.50	2.0
September 26, 2025	500,000	0.50	2.1
October 26, 2025	400,000	0.25	2.2
November 26, 2025	400,000	0.25	2.3
December 22, 2025	400,000	0.25	2.3
January 26, 2026	400,000	0.25	2.4
February 26, 2026	400,000	0.25	2.5
	51,680,991	0.30	1.60



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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

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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### 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, 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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### 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 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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### 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

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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023

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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