



**CERRO DE PASCO RESOURCES INC.**  
(formerly Genius Properties Ltd.)

**Consolidated Financial Statements**

**Years ended  
December 31, 2018 and 2017**

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

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## Independent Auditor's Report

To the Shareholders of  
Cerro de Pasco Resources Inc.  
(formerly Genius Properties Ltd.)

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### Opinion

We have audited the consolidated financial statements of Cerro de Pasco Resources Inc. (formerly Genius Properties Ltd.) (hereafter "the Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

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

### Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Emphasis of matter – Restated comparative information**

We draw attention to Note 4.1 to the consolidated financial statements, which describes that certain comparative information presented for the year ended December 31, 2017 has been restated. The consolidated financial statements of the Company for the year ended December 31, 2017 (before the restatement of certain comparative information described in Note 4.1) were audited by another auditor who expressed an unmodified opinion on those financial statements on January 26, 2018. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
April 29, 2019

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A115879

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Consolidated Statements of Financial Position**  
As at December 31, 2018 and 2017  
(in Canadian dollars)

		December 31 2018	December 31 2017	December 31 2016
	Note		(restated (Note 4.1))	(restated (Note 4.1))
		\$	\$	\$
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	8	1,364,140	38,441	11,182
Other receivables	9	228,629	118,166	-
Prepaid expenses		31,628	-	-
<b>Total current assets</b>		<b>1,624,397</b>	<b>156,607</b>	<b>11,182</b>
<b>Non-current assets:</b>				
Property and equipment	10	22,886	1,028	-
Mining properties	11	1,110,343	772,684	680,637
Exploration and evaluation assets	12	196,406	180,712	-
<b>Total non-current assets</b>		<b>1,329,635</b>	<b>954,424</b>	<b>680,637</b>
<b>Total assets</b>		<b>2,954,032</b>	<b>1,111,031</b>	<b>691,819</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
Trade accounts payable and other liabilities	13	557,836	1,461,206	925,976
Due to Genius Properties Ltd.		-	551,428	-
Current portion of obligation under capital lease	14	2,676	-	-
<b>Total current liabilities</b>		<b>560,512</b>	<b>2,012,634</b>	<b>925,976</b>
<b>Non-current liabilities:</b>				
Obligation under capital lease	14	2,218	-	-
<b>Total non-current liabilities</b>		<b>2,218</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>562,730</b>	<b>2,012,634</b>	<b>925,976</b>
<b>Equity:</b>				
Share capital	15	18,472,710	1,132,396	1,132,396
Warrants	15	1,061,616	-	-
Share options	16	2,608	-	-
Contributed surplus		218,000	-	-
Deficit		(17,413,308)	(2,029,535)	(1,366,553)
Accumulated other comprehensive loss		49,676	(4,464)	-
<b>Total equity attributable to owners of the parent company</b>		<b>2,391,302</b>	<b>(901,603)</b>	<b>(234,157)</b>
Non-controlling interest		-	-	-
<b>Total equity</b>		<b>2,391,302</b>	<b>(901,603)</b>	<b>(234,157)</b>
<b>Total liabilities and equity</b>		<b>2,954,032</b>	<b>1,111,031</b>	<b>691,819</b>

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on April 29 2019.

(S) John Booth  
Director

(S) Steven Zadka  
Director

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Consolidated Statements of Comprehensive Loss**  
Years ended December 31, 2018 and 2017  
(in Canadian dollars)

		December 31 2018	December 31 2017 (restated (Note 4.1))
	Note	\$	\$
<b>Expenses:</b>			
General and administrative expenses	17	1,765,688	625,069
<b>Operating loss before other expenses (revenues) and income tax</b>		<b>1,765,688</b>	<b>625,069</b>
<b>Other expenses (revenues):</b>			
Finance expenses	18	5,396	91,100
Exchange gain		(115,865)	(9,958)
Non-recoverable sales taxes		51,412	23,898
Gain on settlement of payables		(76,961)	-
Non cash listing costs related to the reverse takeover	6	13,754,103	-
		<b>13,618,085</b>	<b>105,040</b>
<b>Loss before income taxes</b>		<b>15,383,773</b>	<b>730,109</b>
Income taxes recovery	19	-	-
<b>Net loss</b>		<b>15,383,773</b>	<b>730,109</b>
<b>Other comprehensive loss</b>			
Currency translation adjustment		(54,140)	4,464
<b>Other comprehensive loss net of tax</b>		<b>(54,140)</b>	<b>4,464</b>
<b>Net loss and comprehensive loss</b>		<b>15,329,633</b>	<b>734,573</b>
<b>Net loss attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.		15,383,773	730,109
Non-controlling interests		-	-
		<b>15,383,773</b>	<b>730,109</b>
<b>Other comprehensive loss attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.		(54,140)	4,464
Non-controlling interest		-	-
		<b>(54,140)</b>	<b>4,464</b>
<b>Net loss and comprehensive loss attributable to:</b>			
Shareholders of Cerro de Pasco Resources Inc.		15,329,633	734,573
Non-controlling interest		-	-
		<b>15,329,633</b>	<b>734,573</b>
<b>Weighted average number of common shares outstanding</b>		<b>160,493,816</b>	<b>95,180,292</b>
<b>Basic and diluted loss per share:</b>		<b>0.10</b>	<b>0.01</b>

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

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Consolidated Statements of Changes in Equity**  
Years ended December 31, 2018 and 2017  
(in Canadian dollars)

	Note	Number of shares outstanding	Share capital \$	Warrants \$	Share options \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total attributable to the owners of the parent company \$	Non-controlling interest \$	Total equity \$
<b>Balance as at December 31 2017</b> (restated (Note 4.1))		43,011,743	1,132,396	-	-	-	(2,029,535)	(4,464)	(901,603)	-	(901,603)
Shares and units issued:											
Private placements	15	22,177,001	1,238,857	411,644					1,650,501	-	1,650,501
As part of the reverse takeover	6	176,360,134	14,696,686	652,493	2,608				15,351,787	-	15,351,787
As payment of expenses and mineral property	15	600,000	112,000						112,000	-	112,000
As a settlement of accounts payables	15	-	1,310,334						1,310,334	-	1,310,334
Share issuance costs			(32,509)	3,243					(29,266)	-	(29,266)
Warrants exercised		50,000	14,946	(2,446)					12,500	-	12,500
Warrants expired				(3,318)		3,318			-	-	-
Settlement of shareholders payables						214,682			214,682	-	214,682
Transactions with owners		199,187,135	17,340,314	1,061,616	2,608	218,000	-	-	18,622,538	-	18,622,538
Net earnings (loss) and comprehensive loss for the year							(15,383,773)	54,140	(15,329,633)	-	(15,329,633)
<b>Balance as at December 31 2018</b>		242,198,878	18,472,710	1,061,616	2,608	218,000	(17,413,308)	49,676	2,391,302	-	2,391,302
<b>Balance as at December 31 2016</b> (restated (Note 4.1))		17,679,077	1,132,396	-	-	-	(1,299,426)	-	(167,030)	-	(167,030)
Shares and units issued:											
Private placements	15	10,970,166	-						-	-	-
Flow-through private placement	15	1,062,500	-						-	-	-
As payment of exploration and evaluation expenditures	15	13,300,000	-						-	-	-
Transactions with owners		25,332,666	-	-	-	-	-	-	-	-	-
Net loss and comprehensive loss for the year							(730,109)	(4,464)	(734,573)	-	(734,573)
<b>Balance as at December 31 2017</b>		43,011,743	1,132,396	-	-	-	(2,029,535)	(4,464)	(901,603)	-	(901,603)

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(in Canadian dollars)

		December 31 2018	December 31 2017
	Note		(restated (Note 4.1))
		\$	\$
<b>Operating activities:</b>			
Net loss		(15,383,773)	(730,109)
Adjustments for:			
Consulting fees paid through issuance of shares		112,000	-
Gain on settlement of payables		(76,961)	-
Listing costs	6	13,754,103	-
Depreciation of property and equipment	10	1,922	-
Operating activities before changes in working capital items		(1,592,709)	(730,109)
Change in other receivables		2,516	(122,342)
Change in prepaid expenses		(13,078)	-
Change in trade accounts payable and accrued liabilities		249,719	865,800
Change in working capital items		239,157	743,458
<b>Cash flows (used for) operating activities</b>		<b>(1,353,552)</b>	<b>13,349</b>
<b>Financing activities:</b>			
Proceeds from private placements	15	1,600,501	-
Proceeds from from warrants exercised	15	12,500	-
Capital lease repayments		(347)	-
Increasing of the amount due to a non-related company		1,152,445	570,915
Share issuance costs	15	(8,818)	-
<b>Cash flows from financing activities</b>		<b>2,756,281</b>	<b>570,915</b>
<b>Investing activities:</b>			
Cash from the RTO (see Note 6)		221,476	-
Acquisition of property and equipment	10	-	(1,065)
Acquisition of mining property		(257,073)	(324,843)
Increase in exploration and evaluation assets		-	(187,099)
<b>Cash flows used for investing activities</b>		<b>(35,597)</b>	<b>(513,007)</b>
<b>Net change in cash and cash equivalents</b>		<b>1,367,132</b>	<b>71,257</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>38,441</b>	<b>11,182</b>
<b>Effect of exchange rate fluctuations on cash held in foreign currencies</b>		<b>(41,433)</b>	<b>(43,998)</b>
<b>Cash and cash equivalents, end of year</b>		<b>1,364,140</b>	<b>38,441</b>
Interest paid		(86)	(88,836)

Additional disclosures of cash flows information (Note 20).

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 1. Reporting entity and nature of operations:

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco" or "CDPR") is engaged in the acquisition and exploration of mineral properties.

Cerro de Pasco Resources Inc. is a company domiciled in Canada. The Company was incorporated on June 6, 2003 under the *Business Corporations Act (Alberta)*.

On November 9, 2017, Genius Properties Ltd. entered into a merger agreement with Cerro de Pasco Resources S.A., whereby Genius Properties Ltd. agreed to acquire all of the issued and outstanding shares of Cerro de Pasco Resources S.A. (the "Transaction"). The Transaction closed on October 4, 2018 in exchange of the issuance of common shares of Genius Properties Ltd.

Following the closing of the Transaction, Genius Properties Ltd. changed its name to Cerro de Pasco Resources Inc. and is trading on the Canadian Securities Exchange ("CSE") under symbol "CDPR". In addition, on August 31, 2018, in order to complete the transaction and comply with Peru's legal and tax rules, Cerro de Pasco Resources S.A transferred its net asset to a new entity named Cerro de Pasco Resources Sucursal del Perú which is fully owned by the Company after Transaction.

The Company's head office, which is also the main establishment is located at 22 Lafleur Avenue North, suite 203, Saint-Sauveur, Québec, Canada J0R 1R0 and its web site is [www.pascoresources.com](http://www.pascoresources.com).

The Company is in pre-operative stage. Operational activities are estimated to start as projects reach the level of economic feasibility and have the environmental impact study approved by the competent authority.

### 2. Going concern:

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

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

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

### 3. Basis of preparation:

#### 3.1 Statement of compliance:

These annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year end.

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

**3. Basis of preparation (continued):**

**3.2 Basis of measurement:**

The consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

**3.3 Basis of consolidation:**

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The subsidiaries have a reporting date of December 31. The Company attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. All intra-group transactions and balances are eliminated in full on consolidation.

Subsidiary	Status	Jurisdiction of Incorporation	% of Ownership
Cerro de Pasco Resources Sucursal del Perú	Active	Peru	100%
Subsidiary 1 - Zippler Inc. ("Zippler")	Inactive	Canada	100%
Subsidiary 2 - Zencig Corp. ("Zencig")	Inactive	USA	70%

**3.4 Functional and presentation currency:**

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

**3.5 Use of estimates and judgements:**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**(a) Significant management judgment:**

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

*Going concern*

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

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

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 5.13).

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 3. Basis of preparation (continued):

#### 3.5 Basis of measurement (continued):

##### (b) Estimation uncertainty:

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

##### *Impairment of exploration and evaluation assets and mining properties*

Determining if there are any facts or circumstances indicating an impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases (see Note 4).

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

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

##### *Share-based compensation*

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 16).

##### *Provision and contingent liabilities*

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

### 4. Changes in accounting policy:

#### 4.1 Accounting changes:

During the year ended December 31, 2018, the Company has retrospectively wrote-off the assets for deferred income tax. Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operation, it is not probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. This accounting change was recorded as a decrease of the Assets for deferred income tax and of income tax recovery of \$45,219 and as a decrease of net loss in 2017 of the same amount.

Also, the Company has retrospectively wrote-off Tax credit for general sales tax receivable. Given that Peruvian general sales tax are recoverable only against general sales tax collected on sales and given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income from its operation, it is not probable sales will exist in the future to recover the general sales tax. This accounting change was recorded as a decrease of the Tax credit for General sales tax of \$73,472 as at December 31, 2017, an increase of net loss in 2017 of \$24,417 and an increase of deficit of \$49,055 as at January 1, 2017.

The Company has retrospectively wrote-off an amount receivable from an officer which was in fact a payment of salary. This accounting changes was recorded as a decreases in other accounts receivable of \$49,948 and an increase in net loss in 2017 of the same amount.

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**

Years ended December 31, 2018 and 2017  
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**4. Changes in accounting policy (continued):**

**4.1 Accounting changes (continued):**

In addition, the Company retrospectively changed the book values relating to its mining properties and the related liabilities. The Company initial recorded as an asset and a liability all payment commitments to be made under its options agreements to acquire a mining property. Under IFRS 6 - exploration for and evaluation of mineral resources, the payments obligations under an option agreement do not meet the definition of a liability and thus are not accounted for immediately. Options on interest in mining properties are recorded as an asset at the value of the consideration paid when the payment commitment meets the definition of a liability. In connection with this change, the company also corrected a 2017 adjustment recorded by management to incorrectly adjust the recorded value of mining properties and the related payable based on an amended option agreement signed in 2017. These changes had the following effects on the consolidated financial statements of the Company : decrease in mining properties of \$254,572 as at December 31, 2017 and of \$188,038 as at December 31, 2016, decrease in exploration and evaluation assets of \$82,045 as at December 31, 2017, decrease in trade accounts payable and other liabilities of \$527,851 as at December 31, 2017 and of \$404,404 as at December 31, 2016, decrease in deficit of \$191,234 as at December 31, 2017 and of \$216,366 as at December 31, 2016.

The Company has also retrospectively adjust the book value of its other intangibles and the related liabilities. The Company has initially capitalized an amount has an other intangible that do not meet the definition of a capitalized cost. These changes had the effect of decreasing the other intangibles and the deficit of \$393,031 as at December 31, 2017.

The Company has then retrospectively recorded a missing payables as at December 31, 2016 and the effect of that adjustment was a decrease in the deficit of \$65,955 as at December 31, 2016 and 2017 and an increase in the other payables of the same amount.

Finally, based on an analysis of the criteria of IAS 21 – the effects of changes in foreign exchange rate, on January 1, 2017 the Company has change the functional currency of Cerro de Pasco Resources Sucursal del Peru from the Peruvian Soles to the US dollar. The Company has retrospectively restated the financial statements to reflect the change in the functional currency. This change was recorded as a decrease of the total equity of \$89,249, an increase in the total assets of \$74,164 and a decrease in the total liabilities of \$163,413.

**4.2 IFRS 9 Financial Instruments:**

On January 1, 2018, the Company initially applied with restatement the requirements of International Financial Reporting Standards (“IFRS”) 9 Financial Instruments, which introduces new requirements for the classification and measurement of financial assets and replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are measured at amortized cost at the end of subsequent accounting periods. If the business model’s objective is achieved by both collecting the contractual cash flows and selling the underlying financial asset, the financial asset is measured at fair value at the end of subsequent accounting periods, with any changes taken through other comprehensive income. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income depending on certain criteria. The requirements for classification and measurement of financial liabilities largely carried forward existing requirements in International Accounting Standard (“IAS”) 39 Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 also amends the requirements with respect to hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company’s financial instruments are accounted for as follows under IFRS 9 as compared to the Company’s previous policy in accordance with IAS 39.

<b>Financial asset/liability</b>	<b>IAS 39 Category</b>	<b>IFRS 9 Category</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Other receivables, except sales tax receivable	Loans and receivables	Amortized cost
Trade accounts payable and other liabilities, except sales tax payable	Financial liabilities at amortized cost	Amortized cost
Due to Genius Properties Ltd.	Financial liabilities at amortized cost	Amortized cost

IFRS 9 changes to the requirements for hedge accounting had no impact on the Company’s financial statements as the Company does not use hedge accounting.

**CERRO DE PASCO RESOURCES INC.**  
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**4. Changes in accounting policy (continued):**

**4.2 IFRS 9 Financial Instruments (continued):**

The adoption of this standard did not have a significant impact on the Company's financial statements.

**5. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the statements of financial position, unless otherwise indicated.

**5.1 Non-controlling interests:**

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI maybe initially measured either at fair value or at the NCI's proportionate share of the recognized amounts of the acquirees identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Total Comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the NCI even if this results in the NCI having a deficit balance. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

**5.2 Foreign currency transactions and balances:**

The consolidated financial statements are presented in Canadian dollars (see Note 3.4). Foreign currency transactions and balances in the CDPR, Cerro de Pasco Resources Sucursal del Perú, Zippler and Zencig are translated in their respective functional currency using the following method:

- Monetary assets and liabilities in foreign currency are translated at the closing exchange rate in effect at the reporting date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date.
- Revenues and expenses are translated at the average rate in effect during the year.
- Gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are included in profit or loss.
- Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Assets, liabilities and transactions of the subsidiary with a functional currency other than the Canadian dollars are translated into Canadian dollars on consolidation. On consolidation, assets and liabilities are translated into Canadian dollars at the closing rate of the reporting date. Income and expenses are translated under the Company's presentation currency at the average rate over the reporting year. Exchange differences are presented as other comprehensive loss and recognized in Accumulated other comprehensive loss in deficiency. On disposal of a foreign operation, the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

**5.3 Segment reporting:**

The Company presents and discloses segment information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President, the Chief Executive Officer and the Board of Directors.

The Company has only one operating segment which consist in the mining activities. All non-current assets are in Peru.

**5.4 Financial instruments:**

**(a) Recognition and derecognition:**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

**CERRO DE PASCO RESOURCES INC.**  
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**Notes to Consolidated Financial Statements (continued)**  
Years ended December 31, 2018 and 2017  
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**5. Significant accounting policies (continued):**

**5.4 Financial instruments (continued):**

**(a) Recognition and derecognition (continued):**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

**(b) Classification and initial measurement of financial assets:**

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss ("FVTPL");
- fair value through other comprehensive income ("FVOCI").

In the periods presented, the Company does not have any financial assets categorized as fair value through profit or loss or through other comprehensive income.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance expenses, finance income or other financial items, except for impairment of trade receivables which is presented within general and administrative expenses.

**(c) Subsequent measurement of financial assets:**

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal
- amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and other receivables (except sales tax receivable) fall into this category of financial instruments.

**5.5 Impairment of financial assets:**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included other receivables (except sales tax receivable).

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Stage 1: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;
- Stage 2: financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low;
- Stage 3: there is objective evidence of impairment as at the reporting date (using the criteria currently included in IAS 39).

A 12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

### 5. Significant accounting policies (continued):

#### 5.6 Classification and measurement of financial liabilities:

The Company's financial liabilities include trade accounts payable and other liabilities and due to Genius Properties Ltd.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance expenses or finance income.

#### 5.7 Basic and diluted loss per share:

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the year or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

#### 5.8 Cash and cash equivalents:

Cash and cash equivalent consists of cash, cash in trust and guaranteed investment certificate, as well as other highly-liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment.

#### 5.9 Property and equipment:

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives are as follows:

<b>Asset</b>	<b>Period</b>
Office equipment and furnitures	5 years
Software	5 years
Computer equipment	3 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 5. Significant accounting policies (continued):

#### 5.10 Impairment of mining properties, exploration and evaluation assets and property and equipment:

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

#### 5.11 Mining properties and exploration and evaluation assets:

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets.

Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, general expenses, financial charges, management fees and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts, the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 5. Significant accounting policies (continued):

#### 5.12 Provisions, contingent liabilities and contingent assets:

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2018 and 2017 the Company had no contingent liabilities and therefore no provision was recorded in the annual financial statements.

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

#### 5.13 Income taxes:

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprise only of deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

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### 5. Significant accounting policies (continued):

#### 5.14 Leases:

Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

#### 5.15 Share capital:

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

If shares are issued following the exercise of share options, or warrants, this account also includes the charge previously accounted to the warrants and share options accounts. Furthermore, if shares are issued following the acquisition of mining property or other non-financial assets, shares are valued at fair value of mining property on the day the agreement was concluded.

#### 5.16 Unit placements:

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model and is recorded separately under "warrants".

#### 5.17 Other elements of equity:

Warrants and share options accounts include unrealized charges related to share options and warrants until they are exercised, if applicable. Contributed surplus includes compensation expense related to share options and warrants not exercised and expired.

Deficit includes all current and prior year retained losses.

Accumulated other comprehensive loss includes all foreign currency translation adjustments.

#### 5.18 Equity-settled share-based compensation:

The Company has an equity-settled share-based compensation plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to warrants, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

**5. Significant accounting policies (continued):**

**5.19 New standards and interpretations that have not yet been adopted:**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

**(i) IFRS 16 - Leases:**

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognizes assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019. Management is in the process of evaluating the impacts of these changes on the Company but does not anticipate any material impact on adoption of these amendments as it did not have significant leases.

**6. Reverse takeover:**

On November 9, 2017, Genius Properties Ltd. entered into a merger agreement with Cerro de Pasco Resources S.A., whereby Genius Properties Ltd. agreed to acquire all of the issued and outstanding shares of Cerro de Pasco Resources S.A. On August 31, 2018, in order to comply with Peru's legal and tax rules, Cerro de Pasco Resources S.A transferred its net asset to a new entity named Cerro de Pasco Resources Sucursal del Perú. The Transaction closed on October 4, 2018 in exchange of the issuance of common shares of Genius Properties Ltd.

In accordance with IFRS 3, Business Combinations, the substance of the acquisition is a reverse takeover ("RTO") as the shareholders of Cerro de Pasco Resources Sucursal del Perú hold the majority of the shares of the Genius Properties Ltd. The acquisition of Genius Properties Ltd. does not constitute a business combination as Genius Properties Ltd. does not meet the definition of a business under that standard.

As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment, with Cerro de Pasco Resources Sucursal del Perú being identified as the acquirer and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions for the periods prior to October 4, 2018 are those of Cerro de Pasco Resources S.A. (prior to August 31, 2018) and Cerro de Pasco Resources Sucursal del Perú (from September 1st, 2018 to October 4, 2018).

Upon closing of the reverse takeover, the Company issued 176,360,134 common shares for the shares related to Cerro de Pasco Resources Sucursal del Perú.

The fair value of the consideration for the net assets acquired is as follows:

	\$
58,786,744 shares issued and outstanding of the Company	14,696,686
80,000 shares options issued and outstanding of the Company	2,608
13,385,714 warrants issued and outstanding of the Company	652,493
<b>Estimated fair value of the nets assets acquired</b>	<b>15,351,787</b>

The fair value of the Company's shares issued and outstanding prior to the reverse takeover has been determined based on the most recent value of the company's shares which is the private placement completed in December 2018.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 6. Reverse takeover (continued):

Following the closing of the transaction, the issued and outstanding options and warrants of Genius Properties Ltd. continue to be in effect with their original terms and conditions and are deemed to be issued as part of the transaction. The fair value of the outstanding warrants and share options has been estimated to \$652,493 and \$2,608 respectively using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at valuation date <sup>(1)</sup>	\$0.25
Expected volatility <sup>(2)</sup>	58.53% to 64.38%
Risk-free interest rate	2.32%
Expected life	0.2 year to 0.6 year

(1) Based on the fair market value of the share estimated at the date of the reverse takeover transaction.

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

	\$
Cash and cash equivalents	221,476
Other receivables	57,681
Prepays	18,550
Property and equipment	23,690
Due from Cerro de Pasco Resources Sucursal del Perú .	1,715,700
Trade accounts payable and other liabilities	(434,172)
Obligation under capital lease	(5,241)
Listing costs	13,754,103
Estimated fair value of the nets assets acquired	15,351,787

### 7. Interests in subsidiaries:

The Company's consolidated financial statements include one subsidiary with a non significant NCI.

Name	Proportion of ownership interest and voting rights held by NCI	Total Comprehensive Loss allocated to NCI	Accumulated NCI
Zencig	30%	-	-

No dividends were paid to the NCI during the years ended December 31, 2018 and 2017.

Summarized financial information, before intragroup eliminations, is set out below:

	December 31 2018	December 31 2017
	\$	\$
Current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	96,011	-
Non-current liabilities	420,347	-
Total liabilities	516,358	-
Equity attributable to shareholders of the parent	(516,358)	-
Non-controlling interests	-	-

There were no net loss nor cash flows attributable to the Non-controlling interests for the years ended December 31, 2018 and 2017.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 8. Cash and cash equivalents:

	December 31 2018	December 31 2017
	\$	\$
Cash	1,326,057	28,443
Cash in trust	23,083	9,998
Guaranteed investment certificate, 1.4 % maturing in October 2019 is used as guarantee for credit card	15,000	-
	1,364,140	38,441

### 9. Other receivables:

	December 31 2018	December 31 2017
	\$	\$
Sales tax receivable <sup>(1)</sup>	76,587	-
Other receivable		
Amount receivable from Genius Metals Inc. / Professional Fee Sharing	72,823	-
Amount receivable from a former employee	-	117,471
Others	29,219	695
Subscriptions receivable <sup>(2)</sup>	50,000	-
	228,629	118,166

(1) Sales tax receivable includes only receivables in Canada.

(2) The balance of \$50,000 has been received during January and February 2019.

### 10. Property and equipment:

	Office furnitures	Computer equipment	Software	Total
	\$	\$	\$	\$
<b>Cost</b>				
As at December 31, 2016	-	-	-	-
Acquisitions	-	1,028	-	1,028
As at December 31, 2017	-	1,028	-	1,028
Reverse takeover transaction <sup>(1)</sup>	16,440	10,015	2,729	29,184
Exchange	-	90	-	90
As at December 31, 2018	16,440	11,133	2,729	30,302
<b>Accumulated depreciation</b>				
As at December 31, 2016	-	-	-	-
Depreciation	-	-	-	-
As at December 31, 2017	-	-	-	-
Reverse takeover transaction <sup>(1)</sup>	2,500	2,578	416	5,494
Depreciation	828	931	163	1,922
As at December 31, 2018	3,328	3,509	579	7,416
<b>Net book value</b>				
As at December 31, 2017	-	1,028	-	1,028
As at December 31, 2018	13,112	7,624	2,150	22,886

(1) See Note 6.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 11. Mining properties:

Mining properties can be detailed as follows:

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

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

#### Quiulacocha Tailings and Excelsior Stockpile:

CDPR's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property"). The Property is known as the Excelsior and consists of the Excelsior Mineral Pile ("EMP") and Quiulacocha Tailings ("QT") forming residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located 310 km from Lima, in east-central Peru.

The EMP occupies an area of 94 ha and contains 26,400,000 m3 of fragmentary rocks forming terraces composed of sulfide-rich rocks, sericitized volcanic and carbonate (dolomitic) rocks. Metal-bearing minerals consist of sphalerite (Zn), tennantite (Cu), cerussite (Pb), enargite (Cu) and galena (Pb, Ag-rich).

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

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

### 12. Exploration and evaluation assets:

Exploration and evaluation assets by nature are detailed as follows:

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 12. Exploration and evaluation assets (continued):

Exploration and evaluation assets by properties are detailed as follows:

	December 31 2017	Exploration costs	Exchange	December 31 2018
	\$	\$	\$	\$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	180,712	-	15,694	196,406
	180,712	-	15,694	196,406
	December 31 2016	Exploration costs	Exchange	December 31 2017
	\$	\$	\$	\$
<b>Peru Project:</b>				
Quiulacocha tailings and Excelsior Stockpile:	-	181,662	(950)	180,712
	-	181,662	(950)	180,712

### 13. Trade accounts payable and other liabilities:

	December 31 2018	December 31 2017
	\$	\$
Trade accounts payable and other liabilities:		
Trade accounts payable	402,011	55,578
Other	155,825	1,405,628
	557,836	1,461,206

### 14. Obligation under capital lease:

	December 31 2018	December 31 2017
	\$	\$
Office equipment lease, 9.66% annual interest, maturing in December 2020	4,894	-
Less: current portion	(2,676)	-
	2,218	-

Minimum lease payments required in the next three years under capital lease are as follows:

	Capital	Interest	Payments
	\$		\$
2019	2,218	374	2,592
2020	2,676	153	2,829
	4,894	527	5,421

The capital lease is secured by the underlying leased asset.

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

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### 15. Share capital and warrants:

#### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series.

#### (b) Issued and outstanding:

##### 2018:

On April 6, 2018, Genius Properties Ltd. concluded a private placement by issuing 10,373,334 units. Each unit consists of one common share and one-half warrant for a total of 10,373,334 common shares and 5,186,671 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 6, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

On April 11, 2018, Genius Properties Ltd. issued 200,000 common shares for mineral property.

On April 27, 2018, Genius Properties Ltd. concluded a private placement by issuing 5,201,667 units. Each unit consists of one common share and one-half warrant for a total of 5,201,667 common shares and 2,600,832 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

In May and June 2018, Cerro de Pasco Resources S.A. issued common shares for a total value of \$1,310,334 in settlement of accounts payable with shareholders. These settlements resulted in no loss or gain on settlement of accounts payable, in comprehensive loss.

On November 5, 2018, the Company issued to a service provider 200,000 common shares valued at \$48,000 for business development consultancy.

On December 7, 2018, the Company issued to a service provider 200,000 common shares valued at \$64,000 for business development consultancy.

On December 17, 2018, the Company concluded a private placement by issuing 702,000 units at a price of \$0.25 per unit for net proceeds of \$174,481 after deducting share issuance costs of \$1,019. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 702,000 common shares and 702,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.40 until December 17, 2020. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$46,896 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As part of this private placement, the Company also issued a total of 14,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.40 per share until December 17, 2020. These warrants have been recorded at a value of \$1,627 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$2,646 including the fair value of the broker warrants of \$1,627.

On December 21, 2018, the Company concluded a private placement by issuing 5,900,000 units at a price of \$0.25 per unit for net proceeds of \$1,446,753 after deducting share issuance costs of \$28,247. A commission of \$16,060 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 5,900,000 common shares and 5,900,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.40 until December 21, 2020. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$364,748 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As part of this private placement, the Company also issued a total of 17,640 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.40 per share until December 21, 2020. These warrants have been recorded at a value of \$1,616 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to \$29,863 including the fair value of the broker warrants of \$1,616.

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(b) Issued and outstanding (continued):**

**2017:**

On January 3, 2017, Genius Properties Ltd. issued 800,000 common shares for mineral property.

On May 26, 2017, Genius Properties Ltd. concluded a private placement by issuing 5,541,666 units. Each unit consists of one common share and one-half warrant for a total of 5,541,666 common shares and 2,770,783 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

On April 5, 2017, Genius Properties Ltd. has entered into two option agreements to acquire a 100% interest in 128 mining claims of the Sakami Property and 78 mining claims of the Robelin Property, both located in Québec, by issuing on May 26, 2017, 6,000,000 common shares and 6,500,000 common shares respectively for a total value of \$2,500,000 (Note 17).

On December 8, 2017, Genius Properties Ltd. concluded a private placement by issuing 300,000 units. Each unit consists of one common share and one-half warrant for a total of 300,000 common shares and 150,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions. As part of this private placement, the Company also issued a total of 21,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.25 per share until December 8, 2018.

On December 15, 2017, Genius Properties Ltd. concluded a private placement by issuing 3,385,000 units. Each unit consists of one common share and one-half warrant for a total of 3,385,000 common shares and 1,692,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

On December 15, 2017, Genius Properties Ltd. concluded a private placement by issuing 977,500 flow-through common shares.

On December 21, 2017, Genius Properties Ltd. concluded a private placement by issuing 1,577,000 units. Each unit consists of one common share and one-half warrant for a total of 1,577,000 common shares and 788,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

On December 21, 2017, Genius Properties Ltd. concluded a private placement by issuing 85,000 flow-through common shares.

On December 29, 2017, Genius Properties Ltd. concluded a private placement by issuing 166,500 units. Each unit consists of one common share and one-half warrant for a total of 166,500 common shares and 83,250 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions.

**(c) Warrants:**

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

	December 31 2018		December 31 2017	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	-	-	-	-
Acquired through RTO (Note 6)	13,385,714	0.25	-	-
Granted	6,633,640	0.40	-	-
Exercised	(50,000)	0.25	-	-
Expired	(113,128)	0.25	-	-
<b>Outstanding at end</b>	<b>19,856,226</b>	<b>0.30</b>	<b>-</b>	<b>-</b>

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**  
Years ended December 31, 2018 and 2017  
(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(c) Warrants (continued):**

The following table provides outstanding warrants information as at December 31, 2018:

Expiry date	Number of outstanding warrants	Outstanding warrants	
		Exercise price \$	Remaining life (years)
April 27, 2019	13,222,586	0.25	0.3
December 17, 2020	716,000	0.40	2.0
December 21, 2020	5,917,640	0.40	2.0
	19,856,226	0.30	0.9

**2018:**

On December 17, 2018, the Company issued 702,000 warrants to shareholders who subscribed to 702,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 17, 2020. The value of the warrants was estimated at \$46,896 at the grant date using the Black-Scholes option pricing model.

On December 17, 2018, the Company issued 14,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 17, 2020. The value of the warrants has been estimated at \$1,627 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.32
Expected volatility <sup>(1)</sup>	77.50%
Risk-free interest rate	1.96%
Expected life	2.0 years

On December 21, 2018, the Company issued 5,900,000 warrants to shareholders who subscribed to 5,900,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 21, 2020. The value of the warrants was estimated at \$364,748 at the grant date using the Black-Scholes option pricing model.

On December 21, 2018, the Company issued 17,640 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.40 per share until December 21, 2020. The value of the warrants has been estimated at \$1,616 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.28
Expected volatility <sup>(2)</sup>	77.80%
Risk-free interest rate	1.94%
Expected life	2.0 years

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

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 16. Share-based compensation:

#### (a) Share option plan:

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

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Company or up to twelve months after the beneficiary has left.

There were no share options granted during the years ended December 31, 2018 and 2017.

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

	December 31 2018		December 31 2017	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
Outstanding at beginning	-	\$ -	-	\$ -
Acquired through RTO (Note 6)	80,000	0.25	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end	80,000	0.25	-	-
Exercisable at end	80,000	0.25	-	-

The following table provides outstanding share options information as at December 31, 2018:

	Share options outstanding			
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life (years)
September 9, 2021	80,000	80,000	\$ 0.25	2.7
	80,000	80,000	0.25	2.7

# CERRO DE PASCO RESOURCES INC.

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## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 17. General and administrative expenses by nature:

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

	December 31 2018	December 31 2017
	\$	\$
<b>Selling and administrative expenses:</b>		
Salaries and employee benefit expense	332,078	138,026
Management and consulting fees	720,728	1,055
Professional fees	294,604	457,484
Business development	251,125	16,365
Rent and office expenses	79,367	8,457
Registration, listing fees and shareholders information	24,060	-
Project implementation cost	61,804	3,682
Depreciation of property and equipment	1,922	-
	1,765,688	625,069

### 18. Finance expenses:

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

	December 31 2018	December 31 2017
	\$	\$
Fines, penalties, bank charges & other interest	5,396	2,264
Interest on loan	-	88,836
Finance expenses	5,396	91,100

### 19. Income taxes:

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

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

	December 31 2018	December 31 2017
	\$	\$
Loss before income taxes	(15,383,773)	(730,109)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada	26.70%	26.80%
Expected income tax recovery	(4,107,467)	(195,669)
Changes in unrecorded temporary differences	259,426	-
Difference in tax rates of the foreign subsidiary	(41,801)	(19,713)
Difference between deferred and statutory tax rates	137	-
Listing costs	3,672,346	-
Other non-deductible expenses	217,359	215,382
<b>Deferred income tax expense (recovery)</b>	-	-

# CERRO DE PASCO RESOURCES INC.

(formerly Genius Properties Ltd.)

## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 19. Income taxes (continued):

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

	December 31 2018	December 31 2017
	\$	\$
Inception and reversal of temporary differences	(259,563)	-
Difference between deferred and statutory tax rates	137	-
Changes in unrecorded temporary differences	259,426	-
<b>Deferred income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

#### (c) Unrecognized deductible temporary differences:

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

	December 31 2018			December 31 2017	
	Federal	Québec	Peru	Québec	Peru
					\$
Property and equipment	14,588	14,588	-	-	-
Share issuance costs	92,933	92,933	-	-	-
Accrued liabilities	177,261	177,261	-	-	-
Non-capital losses carryforwards	178,505	175,639	524,587	-	45,219
	463,287	460,421	524,587	-	45,219

The ability to realize tax benefits is dependant upon a number of factors. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2018, deferred tax assets totalling \$423,302 (\$2,375,143 in 2017) have not been recognized.

#### (d) Non-capital losses:

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

	Federal	Québec	Peru
	\$	\$	\$
2038	178,505	175,639	-
Unlimited <sup>(1)</sup>	-	-	524,587
	178,505	175,639	524,587

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

# CERRO DE PASCO RESOURCES INC.

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## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

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### 20. Supplemental cash flow information:

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

	December 31 2018	December 31 2017
	\$	\$
Non-cash financing activities:		
Share capital issued in settlement of trade accounts payables	1,310,334	-
Shares issued as payment of expenses and mineral property	112,000	-
Share issuance costs in trade accounts payable and accrued liabilities	3,243	-
Broker warrants issued as a finder's fee	20,448	-

### 21. Related party transactions:

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	December 31 2018	December 31 2017
	\$	\$
Management and consulting fees	94,825	-
Salaries and director's fees	247,036	55,914
	341,861	55,914

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.

### 22. Financial assets and liabilities:

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

	December 31 2018		December 31 2017	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial assets</b>				
Amortized cost				
Cash and cash equivalents	1,364,140	1,364,140	38,441	38,441
Other receivables (excluding sales tax receivable)	152,042	152,042	118,166	118,166
	1,516,182	1,516,182	156,607	156,607
<b>Financial liabilities</b>				
Amortized cost				
Trade accounts payable and other liabilities	557,836	557,836	1,461,206	1,461,206
Due to Genius Properties Ltd.	-	-	551,428	551,428
	557,836	557,836	2,012,634	2,012,634

The fair value of cash and cash equivalents, other receivables and trade accounts payable and other liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

# CERRO DE PASCO RESOURCES INC.

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## Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2018 and 2017

(in Canadian dollars)

### 22. Financial assets and liabilities (continued):

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

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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

### 23. Capital management policies and procedures:

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

The Company's capital management objectives are:

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

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

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

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

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

	December 31 2018	December 31 2017
	\$	\$
Obligation under capital lease	4,894	-
Equity	2,391,302	(901,603)
	2,396,196	(901,603)

### 24. Financial instrument risks:

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

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

**CERRO DE PASCO RESOURCES INC.**  
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**Notes to Consolidated Financial Statements (continued)**

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**24. Financial instrument risks (continued):**

**(a) Credit risk:**

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

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

Credit risk of other receivables and cash and cash equivalents is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

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

**(b) Liquidity risk:**

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

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

During the year ended December 31, 2018, the Company has financed working capital needs through private financings consisting of issuance of shares (before October 5, 2018 and for 2017, Genius Properties Ltd. has financed Cerro de Pasco Resources S.A. through private financings consisting of issuance of shares and long-term debt consisting of an obligation under capital lease). Management estimates that the cash and cash equivalents as at December 31, 2018 will not be sufficient to meet the Company's needs for cash during the coming year.

Contractual maturities of financial liabilities (including capital and interest) are as follows:

	<b>December 31</b>			
	<b>2018</b>			
	<b>Less than</b>		<b>More than</b>	
	<b>1 year</b>	<b>1-5 years</b>	<b>5 years</b>	<b>Total</b>
Trade accounts payable and other liabilities	\$ 557,836	\$ -	\$ -	\$ 557,836

  

	<b>December 31</b>			
	<b>2017</b>			
	<b>Less than</b>		<b>More than</b>	
	<b>1 year</b>	<b>1-5 years</b>	<b>5 years</b>	<b>Total</b>
Trade accounts payable and other liabilities	\$ 1,461,206	\$ -	\$ -	\$ 1,461,206

**(c) Foreign currency risk:**

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

As at December 31, 2018 and 2017, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

	<b>December 31</b>	<b>December 31</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Financial instruments denominated in SOLES</b>		
Cash and cash equivalents	258,825	99,603
Other receivables	71,230	306,172
Trade accounts payable and other liabilities	(330,982)	(3,786,035)
<b>Net exposure</b>	<b>(927)</b>	<b>(3,380,260)</b>

**CERRO DE PASCO RESOURCES INC.**  
**(formerly Genius Properties Ltd.)**  
**Notes to Consolidated Financial Statements (continued)**

Years ended December 31, 2018 and 2017  
(in Canadian dollars)

**24. Financial instrument risks (continued):**

**(c) Foreign currency risk (continued):**

Based on the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against SOLES would result in a change of \$93 (\$338,026 in 2017) in the Company's comprehensive loss and changes in equity.

**25. Commitments and contingency:**

**25.1 Commitments:**

- (i) On August 9, 2017, the Company entered into a lease agreement for office space located in Saint-Sauveur, Québec, Canada. This agreement is effective from September 1, 2017 and expire on August 31, 2020. The monthly payment is \$2,500.

The minimum annual lease payments are as follows:

	\$
2019	30,000
2020	20,000
	50,000

- (ii) On June 1, 2018, the Company entered into a lease agreement for two office spaces located in Lima, Peru. This agreement is effective from June 1, 2018 and expire on April 30, 2019 for the first office and May 31, 2019 for the second office. The monthly payment is \$811 and \$4,041 for the first and the second office respectively.

The minimum annual lease payments are as follows:

	\$
2019	23,449
	23,449

The Company's operating lease agreement do not contain any contingent rent clauses. None of the operating lease agreement contain renewal or purchase options on escalation clauses or any restrictions regarding dividends, further leasing or additional debt. No sublease payments or contingent rent payment were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

**25.2 Contingency:**

- (i) On October 5, 2018, before the RTO (see Note 6), Genius Properties Ltd. completed an Asset Transfer Agreement pursuant to which the Company transferred to Genius Metals Inc. ("Genius Metals") the ownership of all mining rights and titles, a part of its trade accounts payable and other liabilities and the other liability related to flow-through shares estimated at \$29,781. In consideration for such transfer, Genius Metals issued to the Company 9,797,970 Genius Metals common shares for a consideration of \$3,463,660. The transfer was recorded at the carrying amount of the assets and liabilities transferred. Notwithstanding that the liabilities related to the flow-through shares were transferred to Genius Metals, the Company retains the ultimate responsibility for the tax liability related to these financings. Genius Metals has indemnified the Company for any such liability.

**26. Subsequent events:**

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

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