



CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Financial Statements
(Unaudited and unreviewed by the Company's Independent Auditors)

Three-month periods ended
March 31, 2020 and 2019

CERRO DE PASCO RESOURCES INC.
Condensed Interim Consolidated Financial Statements
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Condensed Interim Consolidated Financial Statements

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CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019

(in Canadian dollars)

	Note	March 31 2020	December 31 2019
		\$	\$
Assets			
Current assets:			
Cash and cash equivalents	5	609,674	275,466
Short-term investments		15,000	15,000
Marketable securities in a quoted company		118,591	143,747
Other receivables	6	91,237	41,671
Prepaid expenses		51,497	68,552
Total current assets		885,999	544,436
Non-current assets:			
Property and equipment		74,642	67,953
Right-of-use assets		121,735	140,180
Mining properties		1,518,148	1,389,843
Exploration and evaluation assets		204,450	187,171
Total non-current assets		1,918,975	1,785,147
Total assets		2,804,974	2,329,583
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and other liabilities	7	960,049	739,392
Promissory note	8	433,166	-
Obligation under capital lease		2,088	2,676
Lease liabilities		130,591	116,095
Income tax payable		27,805	26,415
Total current liabilities		1,553,699	884,578
Non-current liabilities:			
Trade accounts payable and other liabilities	7	8,397	45,857
Lease liabilities		29,543	58,669
Deferred income tax		38,780	35,503
Total non-current liabilities		76,720	140,029
Total liabilities		1,630,419	1,024,607
Equity:			
Share capital	9	22,701,257	21,888,502
Warrants	9	553,285	414,887
Share options	10	1,094,087	1,094,087
Contributed surplus		355,077	355,077
Deficit		(23,305,545)	(22,511,673)
Accumulated other comprehensive income		(223,606)	64,096
Total equity attributable to owners of the parent company		1,174,555	1,304,976
Non-controlling interest		-	-
Total equity		1,174,555	1,304,976
Total liabilities and equity		2,804,974	2,329,583

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on May 28 2020.

(S) John Booth
Director

(S) Steven Zadka
Director

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

	Note	Three-month period ended March 31 2020 \$	March 31 2019 \$
Expenses:			
General and administrative expenses	11	1,095,260	2,314,869
Operating loss before other expenses (revenues) and income tax		1,095,260	2,314,869
Other expenses (revenues):			
Finance expenses		21,579	2,460
Non-recoverable sales taxes		34,746	7,540
Change in fair value of marketable securities in a quoted company		25,156	-
Write-off of equipment		2,032	-
Exchange loss (gain)		(384,901)	5,627
		(301,388)	15,627
Loss before income taxes		793,872	2,330,496
Income taxes recovery		-	-
Net loss		793,872	2,330,496
Other comprehensive (income) loss			
Currency translation adjustment		287,702	22,894
Other comprehensive (income) loss net of tax		287,702	22,894
Total comprehensive loss		1,081,574	2,353,390
Net loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		793,872	2,330,496
Non-controlling interests		-	-
		793,872	2,330,496
Other comprehensive loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		287,702	22,894
Non-controlling interest		-	-
		287,702	22,894
Total comprehensive loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		1,081,574	2,353,390
Non-controlling interest		-	-
		1,081,574	2,353,390
Weighted average number of common shares outstanding		254,298,080	242,364,428
Basic and diluted loss per share:		0.00	0.01

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Three-month periods ended March 31, 2020 and 2019

(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
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31 2019		253,532,206	21,888,502	414,887	1,094,087	355,077	(22,511,673)	64,096	1,304,976	-	1,304,976
Shares and units issued:											
Private placements	9	2,343,500	797,693	139,707					937,400	-	937,400
As payment of consulting fees	9	30,000	9,900						9,900	-	9,900
Share issuance costs			(22,547)	2,400					(20,147)	-	(20,147)
Warrants exercised		60,000	27,709	(3,709)					24,000	-	24,000
Transactions with owners		2,433,500	812,755	138,398	-	-	-	-	951,153	-	951,153
Net loss and comprehensive loss for the period							(793,872)	(287,702)	(1,081,574)	-	(1,081,574)
Balance as at March 31 2020		255,965,706	22,701,257	553,285	1,094,087	355,077	(23,305,545)	(223,606)	1,174,555	-	1,174,555
Balance as at December 31 2018		242,198,878	18,472,710	1,061,616	2,608	218,000	(17,413,308)	49,676	2,391,302	-	2,391,302
Shares issued:											
As payment of consulting fees		400,000	113,000						113,000		113,000
Warrants exercised		383,250	114,557	(18,745)					95,812		95,812
Share options granted					1,337,905				1,337,905		1,337,905
Share options forfeited					(2,608)	2,608			-		-
Transactions with owners		783,250	227,557	(18,745)	1,335,297	2,608	-	-	1,546,717	-	1,546,717
Net loss and comprehensive loss for the period							(2,330,496)	(22,894)	(2,353,390)	-	(2,353,390)
Balance as at March 31 2019		242,982,128	18,700,267	1,042,871	1,337,905	220,608	(19,743,804)	26,782	1,584,629	-	1,584,629

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

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

	Note	Three-month period ended	
		March 31 2020	March 31 2019
		\$	\$
Operating activities:			
Net loss		(793,872)	(2,330,496)
Adjustments for:			
Consulting fees paid through issuance of shares		9,900	113,000
Share-based compensation		-	1,337,905
Unrealized exchange loss		26,040	-
Change in fair value of marketable securities in a quoted company		25,156	-
Write-off of equipment		2,032	-
Interest on lease liabilities		5,270	-
Interest on promissory note		7,556	-
Depreciation of right-of-use assets		28,408	-
Depreciation of property and equipment		6,098	1,793
Operating activities before changes in working capital items		(683,412)	(877,798)
Change in other receivables		(46,926)	35,054
Change in prepaid expenses		18,495	(46,739)
Change in trade accounts payable and accrued liabilities		164,497	17,893
Change in income tax payable		(993)	-
Change in working capital items		135,073	6,208
Cash flows used for operating activities		(548,339)	(871,590)
Financing activities:			
Proceeds from private placements	9	937,400	50,000
Proceeds from warrants exercised	9	24,000	95,813
Proceeds from promissory note		399,570	-
Capital lease repayments		(588)	(538)
Lease liabilities repayments		(27,805)	-
Interest paid on lease liabilities		(5,270)	-
Share issuance costs	9	(14,984)	(8,050)
Cash flows from financing activities		1,312,323	137,225
Investing activities:			
Acquisition of equipment		(10,124)	-
Acquisition of mining property		(44,066)	-
Cash flows used for investing activities		(54,190)	-
Net change in cash and cash equivalents		709,794	(734,365)
Cash and cash equivalents, beginning of period		275,466	1,364,140
Effect of exchange rate fluctuations on cash held in foreign currencies		(375,586)	1,025
Cash and cash equivalents, end of period		609,674	630,800
Interest paid		5,335	110

Additional disclosures of cash flows information (Note 12).

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

CERRO DE PASCO RESOURCES INC.

Reporting entity and nature of operations

Three-month periods ended March 31, 2020 and 2019

(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.

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 three-month period ended March 31, 2020, the Company recorded a net loss of \$793,872 (\$2,330,496 for the three-month period ended March 31, 2019) and has an accumulated deficit of \$23,305,545 as at March 31, 2020 (\$22,511,673 as at December 31, 2019). 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 March 31, 2020, the Company had a negative working capital of \$667,700 (a negative working capital of \$340,142 as at December 31, 2019) consisting of cash and cash equivalents of \$609,674 (\$275,466 as at December 31, 2019). 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 three-month period ended March 31, 2020, the Company has raised \$961,400 from warrants exercised and private placements consisting of common shares to fund exploration works and working capital (\$2,668,332 during the year ended December 31, 2019). 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB") in accordance with IAS 34, Interim Financial Reporting.

Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2019.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

3. Basis of preparation (continued):

3.2 Basis of measurement:

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

3.3 Reporting global event:

During the three-month period ended March 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

3.4 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%

3.5 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.

3.6 Use of estimates and judgements:

The preparation of the condensed interim 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.

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim consolidated financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in Note 3.5 of the annual audited consolidated financial statements of the Company as at December 31, 2019.

4. Significant accounting policies:

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in Note 5 of the audited financial statements for the year ended December 31, 2019.

4.1 Adoption of new accounting standard:

The following new standard has been applied in preparing the condensed interim financial statements as at March 31, 2020.

(i) IAS 1 Presentation of Financial Statements (Amendment):

On January 1, 2020, the Company adopted IAS 1 Presentation of Financial Statements (Amendment). Issued by the IASB in October 2018, the amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

4. Significant accounting policies (continued):

4.1 Adoption of new accounting standard (continued):

(i) IAS 1 Presentation of Financial Statements (Amendment) (continued):

- Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. Earlier application is permitted. The adoption of this new amendments did not have significant impact on the Company's financial statements.

4.2 New standards and interpretations that have not yet been adopted:

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

5. Cash and cash equivalents:

	March 31 2020	December 31 2019
Cash	\$ 608,974	\$ 270,647
Cash in trust	700	4,819
	609,674	275,466

6. Other receivables:

	March 31 2020	December 31 2019
Sales tax receivable ⁽¹⁾	\$ 32,477	\$ 21,505
Other receivable		
Amount receivable from Genius Metals Inc. / Professional Fee Sharing	12,441	12,279
Others	46,319	7,887
	91,237	41,671

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

7. Trade accounts payable and other liabilities:

Trade accounts payable and other liabilities recognized in the consolidated statements of financial position can be analyzed as follows:

	March 31 2020	December 31 2019
Current	\$	\$
Trade accounts payable	439,167	287,877
Accrued liabilities	520,882	451,515
	960,049	739,392
Non-current	\$	\$
Accrued liabilities	8,397	45,857
	8,397	45,857

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

7. Trade accounts payable and other liabilities (continued):

At March 31, 2020, the accrued liabilities include an amount of \$153,852 (\$183,428 as at December 31, 2019) relating to agreements with the communities. This amount does not bear interest. An amount of \$145,455 must be paid during the next 12 months and the remaining \$8,397 must be paid before May 2021.

8. Promissory note:

On February 6, 2020, the Company entered into a promissory note agreement with Alpha Capital Anstalt for USD \$300,000 (CAD \$399,570), which bears interest at 12% annually until the maturity date (April 2020) and 18% annually after the maturity date. The Company may prepay the full principal amount plus any other sums due on this Note at any time without any penalty. If the Company completes a capital raise with gross proceeds of at least \$1,000,000, the Company shall pay off this Note within one business day of the closing of such financing raise. The promissory note is secured by personal guaranty from the Executive Chairman of the Board and the CEO. As at March 31, 2020, the promissory note included accrued interest of USD \$5,326 (CAD \$ 7,556) and an unrealized exchange loss of CAD \$ 26,040.

9. 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:

2020:

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

On March 6, 2020, the Company concluded a private placement by issuing 1,052,500 units at a price of \$0.40 per unit for net proceeds of \$408,080 after deducting share issuance costs of \$12,920. A commission of \$11,300 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,052,500 common shares and 1,052,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.65 until March 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$62,294 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (c)). As part of this private placement, the Company also issued a total of 28,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.65 per share until March 6, 2022. These warrants have been recorded at a value of \$1,799 based on the Black-Scholes option pricing model using the assumptions described below (Note 9 (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 \$14,719 including the fair value of the broker warrants of \$1,799.

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

2019:

On February 14, 2019, the Company issued to a service provider 200,000 common shares valued at \$50,000 for business development consultancy.

On March 13, 2019, the Company issued to a service provider 200,000 common shares valued at \$63,000 for business development consultancy.

On May 13, 2019, the Company issued to a service provider 200,000 common shares valued at \$63,000 for business development consultancy.

On December 9, 2019, the Company issued to service providers 260,000 common shares valued at \$109,200 for business development consultancy.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

9. Share capital and warrants (continued):

(c) Warrants:

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

	March 31 2020		December 31 2019	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	6,633,640	0.40	19,856,226	0.30
Granted	2,380,710	0.65	-	-
Exercised	(60,000)	0.40	(10,473,328)	0.25
Expired	-	-	(2,749,258)	0.25
Outstanding at end	8,954,350	0.47	6,633,640	0.40

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

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
December 17, 2020	716,000	0.40	0.7
December 21, 2020	5,857,640	0.40	0.7
February 28, 2022	1,300,210	0.65	1.9
March 6, 2022	1,080,500	0.65	1.9
	8,954,350	0.47	1.0

The following table provides outstanding warrants information as at December 31, 2019:

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
December 17, 2020	716,000	0.40	1.0
December 21, 2020	5,917,640	0.40	1.0
	6,633,640	0.40	1.0

2020:

On February 28, 2020, the Company issued 1,291,000 warrants to shareholders who subscribed to 1,291,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.65 per share until February 28, 2022. The value of the warrants was estimated at \$77,413 at the grant date using the Black-Scholes option pricing model.

On February 28, 2020, the Company issued 9,210 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.65 per share until February 28, 2022. The value of the warrants has been estimated at \$601 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.37
Expected volatility ⁽¹⁾	61.51%
Risk-free interest rate	1.14%
Expected life	2.0 years

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

9. Share capital and warrants (continued):

(c) Warrants (continued):

2020 (continued):

On March 6, 2020, the Company issued 1,052,500 warrants to shareholders who subscribed to 1,052,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.65 per share until March 6, 2022. The value of the warrants was estimated at \$62,294 at the grant date using the Black-Scholes option pricing model.

On March 6, 2020, the Company issued 28,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.65 per share until March 6, 2022. The value of the warrants has been estimated at \$1,799 using the Black-Scholes option pricing model.

The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.37
Expected volatility ⁽¹⁾	61.42%
Risk-free interest rate	0.70%
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.

10. 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 three-month period ended March 31, 2020.

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

	March 31 2020		December 31 2019	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
Outstanding at beginning	5,668,500	\$ 0.40	80,000	\$ 0.25
Granted	-	-	5,668,500	0.40
Forfeited	-	-	(80,000)	0.25
Outstanding at end	5,668,500	0.40	5,668,500	0.40
Exercisable at end	5,668,500	0.40	5,668,500	0.40

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

10. Share-based compensation (continued):

(a) Share option plan (continued):

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

Expiry date	Number of granted share options	Number of exercisable share options	Outstanding share options	
			Exercise price \$	Remaining life (years)
December 31, 2022	218,500	218,500	0.40	2.8
March 7, 2024	5,400,000	5,400,000	0.40	3.9
March 29, 2024	50,000	50,000	0.40	4.0
	5,668,500	5,668,500	0.40	3.9

The following table provides outstanding share options information as at December 31, 2019:

Expiry date	Number of granted share options	Number of exercisable share options	Outstanding share options	
			Exercise price \$	Remaining life (years)
December 31, 2022	218,500	218,500	0.40	3.0
March 7, 2024	5,400,000	5,400,000	0.40	4.2
March 29, 2024	50,000	50,000	0.40	4.2
	5,668,500	5,668,500	0.40	4.1

2019:

On March 6, 2019, the Company granted 5,400,000 share options to directors, officers, consultants and an employee at an exercise price of \$0.40 per share, expiring on March 7, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.19 per share option at the grant date for a total of \$1,041,660 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.320
Expected volatility ⁽¹⁾	79.97%
Risk-free interest rate	1.69%
Expected life	5.0 years

On March 28, 2019, the Company granted 50,000 share options to a consultant at an exercise price of \$0.40 per share, expiring on March 29, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.17 per share option at the grant date for a total of \$8,465 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.295
Expected volatility ⁽¹⁾	78.36%
Risk-free interest rate	1.45%
Expected life	5.0 years

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

10. Share-based compensation (continued):

(a) Share option plan (continued):

2019 (continued):

On December 30, 2019, the Company granted 218,500 share options to a consultant at an exercise price of \$0.40 per share, expiring on December 31, 2022. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.20 per share option at the grant date for a total of \$43,962 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Share price at grant date	\$0.420
Expected volatility ⁽¹⁾	69.37%
Risk-free interest rate	1.67%
Expected life	3.0 years

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

11. General and administrative expenses by nature:

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

	Three-month period ended	
	March 31 2020	March 31 2019
	\$	\$
Selling and administrative expenses:		
Salaries and employee benefit expense	99,134	120,897
Management and consulting fees	474,931	380,562
Professional fees	157,856	191,893
Business development	238,977	229,012
Rent and office expenses	60,969	38,936
Registration, listing fees and shareholders information	12,863	8,223
Project implementation cost	16,024	5,648
Share-based compensation	-	1,337,905
Depreciation of right-of-use assets	28,408	-
Depreciation of property and equipment	6,098	1,793
	1,095,260	2,314,869

12. Supplemental cash flow information:

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

	Three-month period ended	
	March 31 2020	March 31 2019
	\$	\$
Non-cash financing activities:		
Shares issued as payment of consulting fees	9,900	113,000
Share issuance costs in trade accounts payable and accrued liabilities	5,163	12,398
Broker warrants issued as a finder's fee	2,400	-
Non-cash investing activities:		
Property and equipment in trade accounts payable and accrued liabilities	3,931	-
Mining properties in trade accounts payable and accrued liabilities	153,854	-

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

13. Related party transactions:

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

	Three-month period ended	
	March 31 2020	March 31 2019
	\$	\$
Management and consulting fees	333,126	94,891
Salaries and director's fees ⁽¹⁾	23,788	54,400
Share-based compensation	-	1,056,510
	356,914	1,205,801

⁽¹⁾ As at March 31, 2020, trade accounts payable and other liabilities include an amount of \$7,500 (\$Nil as at December 31, 2019) due to the directors.

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.

14. 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:

	March 31 2020		December 31 2019	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial assets				
Fair value through profit or loss (FVTPL)				
Marketable securities	118,591	118,591	143,747	143,747
	118,591	118,591	143,747	143,747
Financial assets				
Amortized cost				
Cash and cash equivalents	609,674	609,674	275,466	275,466
Short-term investment	15,000	15,000	15,000	15,000
Other receivables (excluding sales tax receivable)	58,760	58,760	20,166	20,166
	683,434	683,434	310,632	310,632
Financial liabilities				
Amortized cost				
Trade accounts payable and other liabilities (excluding sources deductions & contributions)	754,929	754,929	596,173	596,173
	754,929	754,929	596,173	596,173

The fair value of cash and cash equivalents, short-term investments, 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.

The fair values of the marketable securities are \$118,591 as at December 31, 2019 (\$143,747 as at December 2019) and are determined by using the closing price for for March 31, 2020 and December 31, 2019.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

14. 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.

	March 31 2020		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities			
Fair value through profit or loss (FVTPL)	118,591	-	-
	118,591	-	-
	December 31 2019		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities			
Fair value through profit or loss (FVTPL)	143,747	-	-
	143,747	-	-

15. 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.

	March 31 2020	December 31 2019
	\$	\$
Promissory note	433,166	-
Obligation under capital lease	2,088	2,676
Equity	1,174,555	1,304,976
	1,609,809	1,307,652

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

16. 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.

(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, cash and cash equivalents and short term investments is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating 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 three-month period ended March 31, 2020 and the year ended December 31, 2019, the Company has financed working capital needs through the exercise of warrants and 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 March 31, 2020 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:

				March 31 2020
	Less than 1 year	1-5 years	More than 5 years	Total
Trade accounts payable and other liabilities	\$ 746,532	\$ 8,397	\$ -	\$ 754,929

				December 31 2019
	Less than 1 year	1-5 years	More than 5 years	Total
Trade accounts payable and other liabilities	\$ 550,316	\$ 45,857	\$ -	\$ 596,173

(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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month periods ended March 31, 2020 and 2019

(in Canadian dollars)

16. Financial instrument risks (continued):

(c) Foreign currency risk (continued)

As at March 31, 2020 and December 31, 2019, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

	March 31 2020	December 31 2019
	\$	\$
Financial instruments denominated in USD		
Cash and cash equivalents	66,524	18,310
Other receivables	43,270	6,743
Prepaid expenses	17,060	-
Trade accounts payable and other liabilities	(448,987)	(434,745)
Promissory note	(433,166)	-
Lease liabilities	(147,715)	(154,988)
Net exposure	(903,014)	(564,680)

Based on the above net exposure as at March 31, 2020 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of \$90,301 (\$56,468 in 2019) in the Company's comprehensive loss and changes in equity.

(d) Price risk:

The Company is exposed to fluctuations in the market prices of its marketable securities in a quoted mining exploration company. The fair value of the marketable securities represents the maximum exposure to price risk. For the marketable securities in quoted mining exploration companies, an average volatility of 51.71% has been observed during the three-month period ending March 31, 2020 (51.71% for the year ended December 31, 2019).

This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If quoted stock price for these securities had increased or decreased by the same amount, profit and loss would have changed by \$21,975 as at March 31, 2020 (\$74,332 as at December 31, 2019).

17. Commitment:

On December 30, 2019, the Company entered into a capital markets advisory services agreement with an independent contractor for a minimum fees of \$60,000 payable on a monthly basis (\$10,000 per month over a 6 months period).

18. Contingency:

On October 5, 2018, before the RTO (see Note 6 of the audited financial statements for the year ended December 31, 2019), 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.

19. Subsequent event:

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