



CERRO DE PASCO RESOURCES INC.

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

Three-month and nine-month periods ended
September 30, 2021 and 2020

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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 September 30, 2021 and December 31, 2020

(in Canadian dollars)

	Note	September 30 2021	December 31 2020
		\$	\$
Assets			
Current assets:			
Cash and cash equivalents	5	655,918	897,979
Short-term investments		15,000	15,000
Marketable securities in a quoted company		158,122	136,560
Other receivables	6	106,617	112,009
Prepaid expenses		81,137	137,139
Total current assets		1,016,794	1,298,687
Non-current assets:			
Property and equipment		38,580	52,463
Right-of-use assets		-	41,506
Mining properties		1,363,412	1,362,449
Exploration and evaluation assets		183,612	183,482
Total non-current assets		1,585,604	1,639,900
Total assets		2,602,398	2,938,587
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Trade accounts payable and other liabilities	7	1,981,303	2,818,581
Lease liabilities	10	-	52,811
Convertible debenture	9 & 10	1,322,796	813,249
Embedded derivative on convertible debenture	9 & 10	61,830	38,465
Total current liabilities		3,365,929	3,723,106
Non-current liabilities:			
Loans	8 & 10	33,579	22,683
Warrants	10	57,716	100,559
Deferred income tax		67,911	67,863
Total non-current liabilities		159,206	191,105
Total liabilities		3,525,135	3,914,211
Equity (deficiency):			
Share capital	11	28,007,046	25,356,132
Warrants	11	961,672	716,811
Share options	12	1,997,897	1,929,737
Contributed surplus		807,930	749,130
Deficit		(32,897,590)	(29,957,648)
Accumulated other comprehensive income		200,308	230,214
Total shareholders' equity (deficiency) attributable to owners of the parent company		(922,737)	(975,624)
Non-controlling interest		-	-
Total shareholders' equity (deficiency)		(922,737)	(975,624)
Total liabilities and shareholders' equity (deficiency)		2,602,398	2,938,587

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 November 26, 2021.

(S) John Booth

Director

(S) Steven Zadka

Director

CERRO DE PASCO RESOURCES INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

	Note	Three-month period ended		Nine-month period ended	
		September 30 2021	September 30 2020	September 30 2021	September 30 2020
		\$	\$	\$	\$
Expenses:					
General and administrative expenses	13	881,389	2,552,884	3,071,260	4,687,708
Operating loss before other expenses (revenues) and income tax		881,389	2,552,884	3,071,260	4,687,708
Other (revenues) expenses:					
Finance expenses	14	93,009	14,663	326,563	57,393
Non-recoverable sales taxes		7,633	18,184	15,490	56,560
Change in fair value of marketable securities in a quoted company		(17,968)	-	(21,562)	-
Change in fair value of warrants and embedded derivative on convertible debenture		(26,973)	-	(103,281)	-
Write-off of equipment		-	-	-	2,032
Gain on settlement of payables		-	-	(94,685)	-
Gain on convertible debenture refinancing		-	-	(8,879)	-
Government assistance		-	(19,299)	(12,170)	(19,299)
Exchange (gain) loss		(271,721)	115,963	(232,794)	(108,736)
		(216,020)	129,511	(131,318)	(12,050)
Loss before income taxes		665,369	2,682,395	2,939,942	4,675,658
Income taxes recovery		-	-	-	-
Net loss		665,369	2,682,395	2,939,942	4,675,658
Other comprehensive (income) loss					
Currency translation adjustment		192,247	(81,522)	29,906	53,522
Other comprehensive (income) loss net of tax		192,247	(81,522)	29,906	53,522
Total comprehensive loss		857,616	2,600,873	2,969,848	4,729,180
Net loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		665,369	2,682,395	2,939,942	4,675,658
Non-controlling interests		-	-	-	-
		665,369	2,682,395	2,939,942	4,675,658
Other comprehensive (income) loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		192,247	(81,522)	29,906	53,522
Non-controlling interest		-	-	-	-
		192,247	(81,522)	29,906	53,522
Total comprehensive loss attributable to:					
Shareholders of Cerro de Pasco Resources Inc.		857,616	2,600,873	2,969,848	4,729,180
Non-controlling interest		-	-	-	-
		857,616	2,600,873	2,969,848	4,729,180
Weighted average number of common shares outstanding		275,420,025	262,229,277	271,830,892	257,733,373
Basic and diluted loss per share:		0.00	0.01	0.01	0.02

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

Nine-month periods ended September 30, 2021 and 2020

(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 (deficiency)
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31 2020		266,636,294	25,356,132	716,811	1,929,737	749,130	(29,957,648)	230,214	(975,624)	-	(975,624)
Shares and units issued:											
Private placements	11	8,566,557	2,753,434	244,861					2,998,295	-	2,998,295
As payment of consulting fees	11	240,000	81,100						81,100	-	81,100
Share issuance costs			(183,620)						(183,620)	-	(183,620)
Share options granted	12				68,160				68,160	-	68,160
Conversion options from convertible debenture refinancing	9					58,800			58,800	-	58,800
Transactions with owners		8,806,557	2,650,914	244,861	68,160	58,800	-	-	3,022,735	-	3,022,735
Net loss and comprehensive income for the period							(2,939,942)	(29,906)	(2,969,848)	-	(2,969,848)
Balance as at September 30 2021		275,442,851	28,007,046	961,672	1,997,897	807,930	(32,897,590)	200,308	(922,737)	-	(922,737)
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	11	12,443,498	3,294,388	673,011					3,967,399	-	3,967,399
As payment of consulting fees	11	274,590	87,177						87,177	-	87,177
Share issuance costs			(85,022)	38,353					(46,669)	-	(46,669)
Warrants exercised		60,000	27,709	(3,709)					24,000	-	24,000
Share options granted					835,650				835,650	-	835,650
Transactions with owners		12,778,088	3,324,252	707,655	835,650	-	-	-	4,867,557	-	4,867,557
Net loss and comprehensive loss for the period							(4,675,658)	(53,522)	(4,729,180)	-	(4,729,180)
Balance as at September 30 2020		266,310,294	25,212,754	1,122,542	1,929,737	355,077	(27,187,331)	10,574	1,443,353	-	1,443,353

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

Nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

	Note	Nine-month period ended	
		September 30 2021	September 30 2020
		\$	\$
Operating activities:			
Net loss		(2,939,942)	(4,675,658)
Adjustments for:			
Consulting fees paid through issuance of shares		81,100	87,177
Share-based compensation		68,160	835,650
Unrealized exchange (gain) loss		(26,294)	-
Change in fair value of marketable securities in a quoted company		(21,562)	-
Change in fair value of warrants and embedded derivative on convertible debenture		(103,281)	-
Write-off of equipment		-	2,032
Gain on settlement of payables		(94,685)	-
Gain on convertible debenture refinancing		(8,879)	-
Interest on lease liabilities		1,215	16,680
Effective interest on loan		896	(8,102)
Presumed interest on convertible debenture		161,029	-
Depreciation of right-of-use assets		40,947	82,562
Depreciation of property and equipment		13,738	17,880
Operating activities before changes in working capital items		(2,827,558)	(3,641,779)
Change in other receivables		6,223	(11,341)
Change in prepaid expenses		56,026	(119,196)
Change in trade accounts payable and accrued liabilities		(688,138)	595,529
Change in income tax payable		-	(27,536)
Change in working capital items		(625,889)	437,456
Cash flows used for operating activities		(3,453,447)	(3,204,323)
Financing activities:			
Proceeds from private placements	11	2,998,295	3,967,399
Proceeds from warrants exercised	11	-	24,000
Proceeds from promissory note		-	399,570
Repayment of promissory note			(399,570)
Proceeds from a loan	8	10,000	30,000
Capital lease repayments		-	(1,808)
Lease liabilities repayments		(25,620)	(62,498)
Interest paid on lease liabilities		(1,215)	(16,680)
Proceeds from issuance of convertible debenture	9	500,000	-
Share issuance costs	11	(183,620)	(40,723)
Cash flows from financing activities		3,297,840	3,899,690
Investing activities:			
Acquisition of equipment		-	(12,895)
Acquisition of mining property		(49,785)	(97,966)
Cash flows used for investing activities		(49,785)	(110,861)
Net change in cash and cash equivalents		(205,392)	584,506
Cash and cash equivalents, beginning of period		897,979	275,466
Effect of exchange rate fluctuations on cash held in foreign currencies		(36,669)	(80,864)
Cash and cash equivalents, end of period		655,918	779,108
Interest paid		66,202	44,473

Additional disclosures of cash flows information (Note 15).

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

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended September 30, 2021 and 2020

(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)*.

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 trading on the Canadian Securities Exchange (CSE) under symbol "CDPR".

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 nine-month period ended September 30, 2021, the Company recorded a net loss of \$2,939,942 (\$4,675,658 for the nine-month period ended September 30, 2020) and has an accumulated deficit of \$32,897,590 as at September 30, 2021 (\$29,957,648 as at December 31, 2020). 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 September 30, 2021, the Company had a negative working capital of \$2,349,135 (a negative working capital of \$2,424,419 as at December 31, 2020) consisting of cash and cash equivalents of \$655,918 (\$897,979 as at December 31, 2020). 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 nine-month period ended September 30, 2021, the Company has raised \$2,998,295 from private placements consisting of common shares to fund exploration works and working capital (\$4,089,799 raised from warrants exercised and private placements for the year ended December 31, 2020). 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, 2020.

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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

3. Basis of preparation (continued):

3.3 Reporting global event:

During the year ended December 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.

The Company has implemented the health measures recommended by the Canadian and Peruvian authorities to reduce physical contact: significant reduction in travel, teleworking and video conferences and others. The Company is continuing its activities to further the Company's objectives during this uncertain and rapidly evolving time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. Due to market uncertainty the Company may be restricted in its ability to raise additional funding. There was no material impact on the Company's operations at the date of these financial statements identified by management.

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:

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 3.6 of the annual audited consolidated financial statements of the Company as at December 31, 2020.

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, 2020.

4.1 Adoption of new accounting standard:

There were no adoption of new accounting policy in preparing the condensed interim financial statements as at September 30, 2021.

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, 2020, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

5. Cash and cash equivalents:

	September 30 2021	December 31 2020
	\$	\$
Cash	655,918	895,518
Cash in trust	-	2,461
	655,918	897,979

6. Other receivables:

	September 30 2021	December 31 2020
	\$	\$
Sales tax receivable ⁽¹⁾	28,379	67,264
Other receivable		
Amount receivable from Genius Metals Inc. / Professional Fee Sharing	10,832	23,530
Others	67,406	21,215
	106,617	112,009

(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:

	September 30 2021	December 31 2020
	\$	\$
Current		
Trade accounts payable	336,448	988,653
Accrued liabilities	1,644,855	1,829,928
	1,981,303	2,818,581

As at September 30, 2021, the accrued liabilities include an amount of \$Nil (\$50,645 as at December 31, 2020) relating to agreements with the communities. The amount of \$50,645 did not bear interest and has been paid before May 2021.

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

	September 30 2021	December 31 2020
	\$	\$
Trade accounts payable and accrued liabilities:		
To directors	22,500	59,910
To officers	135,558	406,578
Other	558,706	1,099,526
Source deductions and contributions	1,264,539	1,252,567
	1,981,303	2,818,581

8. Loans:

On May 6, 2020, the Company received \$40,000 from the Canada Emergency Business Account ("CEBA"). The Government of Canada has launched the new CEBA, which has been implemented by eligible financial institutions in cooperation with Export Development Canada. The CEBA program has approved an interest-free loan of up to \$40,000 to the Company to help cover operating costs, due to the economic impacts of the COVID-19 virus. The outstanding balance of the CEBA must be repaid by December 31, 2022. Repayment of CEBA on or before the due date will result in loan forgiveness of 25% (up to \$10,000).

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

8. Loans (continued):

For purposes of determining the fair value of the liability, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing. The liability is accreted up to the face value of the loan over the term of the loan as an interest expense. As the issuance, the loan was \$20,701, the effective interest was \$9,299 and the government assistance was \$19,299 which included the loan forgiveness of \$10,000 plus the effective interest of \$9,299. During the nine-month period ended September 30, 2021, an effective interest expense of \$2,500 was recorded in the P&L (\$1,982 for the year ended December 31, 2020).

On April 1st, 2021, the Company received a second loan amounted to \$20,000 from the CEBA. The CEBA program has approved an interest-free loan of up to \$20,000 to the Company to help cover operating costs, due to the economic impacts of the COVID-19 virus. The outstanding balance of the CEBA must be repaid by December 31, 2022. Repayment of CEBA on or before the due date will result in loan forgiveness of 50% (up to \$10,000).

For purposes of determining the fair value of the liability, an effective interest rate of 15% was used which is the estimated market rate that the Company would have obtained for a similar financing. The liability is accreted up to the face value of the loan over the term of the loan as an interest expense. As the issuance, the loan was \$7,830, the effective interest was \$2,170 and the government assistance was \$12,170 which included the loan forgiveness of \$10,000 plus the effective interest of \$2,170. During the nine-month period ended September 30, 2021, an effective interest expense of \$566 was recorded in the P&L.

9. Convertible debenture:

	September 30 2021	December 31 2020
	\$	\$
Convertible debenture		
Convertible debenture capital of \$1,000,000, bearing interest at 10% payable annually and maturing on October 16, 2021	-	813,249
Convertible debenture capital of \$1,500,000, bearing interest at 10% payable annually and maturing on June 18, 2022	1,322,796	-
	1,322,796	813,249
Current portion of convertible debenture	1,322,796	813,249
Non-current portion of convertible debenture	-	-

On October 15, 2020, the Company issued unsecured convertible debenture with a face value of \$1,000,000 and 1,857,143 warrants for a total consideration of \$1,000,000. Each warrant entitle the holder to acquire one common share of the Company at a price of \$0.60 until October 15, 2022. The warrants include an option to allow the Company to change the exercise price, subject to the approval of exchange. For accounting purposes, this option resulted in the warrants being classified as a financial liability at fair value through profit or loss.

The convertible debenture has an effective rate of 32.25% and is convertible at the holder's option at \$0.60 per share. The debenture agreement also include a 5% redemption fee if at maturity the Company's shares are trading at \$0.60 or less, based on the average of the last 20 trading days. For accounting purposes, this penalty represent an embedded derivative and must be accounted for separately as a financial liability at fair value through profit or loss.

The Company incurred costs of \$69,173 for the issuance of this debenture. The fair value of the convertible debenture measured as at October 15, 2020 is \$773,827, net of issuance costs of \$69,173, embedded derivative on the convertible debenture of \$35,775 and warrants of \$121,225. No value was attributed to the conversion option

The initial value of the warrants was determined using the Black & Sholes evaluation model based on the following assumptions : Share price of \$0.37, exercise Price of \$0.60, risk-free interest rate of 0.23%, Expected life of 2 years, expected volatility of 61%. The expected volatility used was determined using historical price volatility of the Company.

On June 15, 2021, the Company and the debenture holder agreed to refinance the convertible debenture and to cancel the 1,857,143 warrant issued in October 2020. This refinancing is considered an extinguishment for accounting purposes and the transaction is recorded at fair value. The value on June 15, 2021 was \$914,670 for the convertible debenture, \$44,797 for the embedded derivative and \$ 37,355 for the warrants.

The new terms of the unsecured convertible debenture has a face value of \$1,500,000 (an increase of \$500,000 as compared to the previous face value of \$1,000,000) and 1,857,143 warrants were issued. Each warrant entitle the holder to acquire one common share of the Company at a price of \$0.50 until June 15, 2023. The warrants include an option to allow the Company to change the exercise price, subject to the approval of exchange. For accounting purposes, this option resulted in the warrants being classified as a financial liability at fair value through profit or loss.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

9. Convertible debenture (continued):

The convertible debenture has an effective rate of 31.00% and is convertible at the holder's option at \$0.50 per share. The debenture agreement also include a 5% redemption fee if at maturity the Company's shares are trading at \$0.50 or less, based on the average of the last 20 trading days. For accounting purposes, this penalty represent an embedded derivative and must be accounted for separately as a financial liability at fair value through profit or loss.

The Company incurred costs of \$62,786 for the issuance of this debenture. As at June 15, 2021, the Company measured the fair value of the convertible debenture at \$1,263,188, the embedded derivative on the convertible debenture at \$57,125, the warrants at \$108,830 and the conversion option at \$58,800 (recorded in the contributed-surplus). The extinguishment of the entire resulted in a gain on convertible debenture refinancing of \$8,879.

The initial value of the warrants was determined using the Black & Sholes evaluation model based on the following assumptions : Share price of \$0.33, exercise Price of \$0.50, risk-free interest rate of 0.32%, Expected life of 2 years, expected volatility of 56%. The expected volatility used was determined using historical price volatility of the Company.

10. Reconciliation of liabilities arising from financing activities:

The changes in the liabilities arising from financing activities are classified as follows:

	Obligation under capital lease	Lease liabilities	Promissory note	Loans	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31 2020	-	52,811	-	22,683	813,249	38,465	100,559	1,027,767
Cash flows:								
Proceeds	-	-	-	10,000	500,000	-	-	510,000
Repayment	-	(25,532)	-	-	-	-	-	(25,532)
Exchange	-	(1,074)	-	-	-	-	-	(1,074)
Non-cash:								
Effective interest on loan	-	-	-	896	161,029	-	-	161,925
Change in fair value	-	-	-	-	-	11,037	(114,318)	(103,281)
Unrealized exchange gain	-	(26,205)	-	-	-	-	-	(26,205)
Extinguishment	-	-	-	-	(151,482)	12,328	71,475	(67,679)
Balance as at September 30, 2021	-	-	-	33,579	1,322,796	61,830	57,716	1,475,921

	Obligation under capital lease	Lease liabilities	Promissory note	Loans	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2019	2,676	174,764	-	-	-	-	-	177,440
Cash flows:								
Proceeds	-	-	399,570	30,000	1,000,000	-	-	1,429,570
Repayment	(2,676)	(82,450)	(399,570)	-	-	-	-	(484,696)
Transaction costs	-	-	-	-	(57,505)	(2,659)	(9,009)	(69,173)
Gain on Covid-19 related rent concessions	-	(39,862)	-	-	-	-	-	(39,862)
Exchange	-	359	-	-	-	-	-	359
Non-cash:								
Effective interest on loan	-	-	-	(7,317)	39,422	-	-	32,105
Fair value - Initial	-	-	-	-	(168,668)	38,434	130,234	-
Change in fair value	-	-	-	-	-	2,690	(20,666)	(17,976)
Balance as at December 31 2020	-	52,811	-	22,683	813,249	38,465	100,559	1,027,767

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

11. 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:

2021:

On January 7, 2021, the Company issued to service providers 50,000 common shares valued at \$19,000 for business development consultancy and consulting fees.

On February 22, 2021, the Company issued to service providers 30,000 common shares valued at \$11,400 for business development consultancy and consulting fees.

On April 5, 2021, the Company issued to service providers 50,000 common shares valued at \$17,000 for business development consultancy and consulting fees.

On April 8, 2021, the Company concluded a private placement by issuing 3,395,000 units at a price of \$0.35 per unit for net proceeds of \$1,106,642 after deducting share issuance costs of \$81,608. A finder's fee of \$80,728 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,395,000 common shares and 1,697,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 8, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$92,722 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On April 22, 2021, the Company concluded a private placement by issuing 3,022,128 units at a price of \$0.35 per unit for net proceeds of \$996,235 after deducting share issuance costs of \$61,510. A commission of \$20,213 and a finder's fee of \$40,390 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,022,128 common shares and 1,511,063 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 22, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$84,611 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On April 30, 2021, the Company concluded a private placement by issuing 1,064,429 units at a price of \$0.35 per unit for net proceeds of \$357,125 after deducting share issuance costs of \$15,425. A finder's fee of \$14,088 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,064,429 common shares and 532,214 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until April 30, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$30,827 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On May 26, 2021, the Company issued to service providers 30,000 common shares valued at \$11,250 for business development consultancy and consulting fees.

On May 27, 2021, the Company concluded a private placement by issuing 1,085,000 units at a price of \$0.35 per unit for net proceeds of \$354,673 after deducting share issuance costs of \$25,077. A finder's fee of \$24,500 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,085,000 common shares and 542,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until May 27, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$36,701 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On July 12, 2021, the Company issued to service providers 50,000 common shares valued at \$14,500 for business development consultancy and consulting fees.

On August 19, 2021, the Company issued to service providers 30,000 common shares valued at \$7,950 for business development consultancy and consulting fees.

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 11 (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 11 (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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

11. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

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 \$407,141 after deducting share issuance costs of \$13,859. 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 11 (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 11 (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 \$15,658 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.

On May 15, 2020, the Company issued to service providers 30,000 common shares valued at \$9,000 for business development consultancy.

On June 15, 2020, the Company concluded a private placement by issuing 3,626,500 units at a price of \$0.30 per unit for net proceeds of \$1,075,420 after deducting share issuance costs of \$12,530. A commission of \$6,060 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 3,626,500 common shares and 3,626,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until June 15, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$182,374 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)). As part of this private placement, the Company also issued a total of 84,590 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.50 per share until June 15, 2022. These warrants have been recorded at a value of \$5,111 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (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 \$17,641 including the fair value of the broker warrants of \$5,111.

On June 15, 2020, the Company issued to service providers 84,590 common shares valued at \$25,377 for business development consultancy.

On June 16, 2020, the Company concluded a private placement by issuing 200,000 units at a price of \$0.30 per unit for net proceeds of \$60,000 after deducting share issuance costs of \$Nil. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 200,000 common shares and 200,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until June 16, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$11,627 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On July 2, 2020, the Company concluded a private placement by issuing 1,812,034 units at a price of \$0.30 per unit for net proceeds of \$532,504 after deducting share issuance costs of \$11,106. A commission of \$5,994 was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,812,034 common shares and 1,812,034 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until July 2, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$98,707 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

On August 19, 2020, the Company issued to service providers 130,000 common shares valued at \$42,900 for business development consultancy and consulting fees.

On August 21, 2020, the Company concluded a private placement by issuing 1,128,130 units at a price of \$0.30 per unit for net proceeds of \$337,295 after deducting share issuance costs of \$1,145. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 1,128,130 common shares and 1,128,130 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until August 21, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$57,107 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)).

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

11. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2020 (continued):

On August 28, 2020, the Company concluded a private placement by issuing 3,333,334 units at a price of \$0.30 per unit for net proceeds of \$999,198 after deducting share issuance costs of \$802. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 3,333,334 common shares and 3,333,334 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 until August 28, 2022. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$188,936 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (c)). As part of this private placement, the Company also issued a total of 250,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.365 per share until August 28, 2022. These warrants have been recorded at a value of \$30,842 based on the Black-Scholes option pricing model using the assumptions described below (Note 11 (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 \$31,644 including the fair value of the broker warrants of \$30,842.

On November 16, 2020, the Company issued to service providers 30,000 common shares valued at \$11,550 for business development consultancy and consulting fees.

On December 10, 2020, the Company issued to service providers 50,000 common shares valued at \$21,750 for business development consultancy and consulting fees.

(c) Warrants:

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

	September 30 2021		December 31 2020	
	Number of outstanding warrants	Weighted average exercise price	Number of outstanding warrants	Weighted average exercise price
		\$		\$
Outstanding at beginning	14,672,441	0.53	6,633,640	0.40
Granted	6,140,420	0.50	14,672,441	0.53
Exercised	-	-	(306,000)	0.40
Expired / Cancelled	(1,857,143)	0.60	(6,327,640)	0.40
Outstanding at end	18,955,718	0.52	14,672,441	0.53

The following table provides outstanding warrants information as at September 30, 2021:

	Outstanding warrants		
Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
February 28, 2022	1,300,210	0.65	0.4
March 6, 2022	1,080,500	0.65	0.4
June 15, 2022	3,711,090	0.50	0.7
June 16, 2022	200,000	0.50	0.7
July 2, 2022	1,812,034	0.50	0.8
August 21, 2022	1,128,130	0.50	0.9
August 28, 2022	3,333,334	0.50	0.9
August 28, 2022	250,000	0.365	0.9
April 8, 2023	1,697,500	0.50	1.5
April 22, 2023	1,511,063	0.50	1.6
April 30, 2023	532,214	0.50	1.6
May 27, 2023	542,500	0.50	1.7
June 15, 2023	1,857,143	0.50	1.7
	18,955,718	0.52	1.0

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

11. Share capital and warrants (continued):

(c) Warrants (continued):

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

Expiry date	Outstanding warrants		
	Number of outstanding warrants	Exercise price \$	Remaining life (years)
February 28, 2022	1,300,210	0.65	1.2
March 6, 2022	1,080,500	0.65	1.2
June 15, 2022	3,711,090	0.50	1.5
June 16, 2022	200,000	0.50	1.5
July 2, 2022	1,812,034	0.50	1.5
August 21, 2022	1,128,130	0.50	1.6
August 28, 2022	3,333,334	0.50	1.7
August 28, 2022	250,000	0.365	1.7
October 15, 2022	1,857,143	0.60	1.8
	14,672,441	0.53	1.5

The following table provides the weighted average fair value of warrants granted:

	September 30 2021	December 31 2020
Weighted average fair value of warrants granted	\$ 0.0576	\$ 0.0577

The fair value of each warrant granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	September 30 2021	December 31 2020
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	\$0.342	\$0.342
Weighted average expected volatility ⁽¹⁾	53.96%	62.12%
Weighted average risk-free interest rate	0.29%	0.38%
Weighted average exercise price at grant date	\$0.50	\$0.535
Weighted average expected life	2.0 years	2.0 years

(1) Before June 2020, the volatility was determined as per an average of the volatility of comparable publicly traded companies and the volatility of the Company.

12. 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 600,000 share options granted during the nine-month period ended September 30, 2021 (4,700,000 during the year ended December 31, 2020).

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

12. Share-based compensation (continued):

(a) Share option plan (continued):

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

	September 30 2021		December 31 2020	
	Number of outstanding share options	Weighted average exercise price	Number of outstanding share options	Weighted average exercise price
		\$		\$
Outstanding at beginning	10,368,500	0.40	5,668,500	0.40
Granted	600,000	0.43	4,700,000	0.40
Outstanding at end	10,968,500	0.40	10,368,500	0.40
Exercisable at end	10,968,500	0.40	10,368,500	0.40

The following table provides outstanding share options information as at September 30, 2021:

Outstanding share options				
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
December 31, 2022	218,500	218,500	0.40	1.3
March 10, 2023	200,000	200,000	0.40	1.4
August 19, 2023	200,000	200,000	0.40	1.9
August 28, 2023	200,000	200,000	0.40	1.9
March 7, 2024	5,400,000	5,400,000	0.40	2.4
March 29, 2024	50,000	50,000	0.40	2.5
May 6, 2024	200,000	200,000	0.50	2.6
September 16, 2024	200,000	200,000	0.40	3.0
August 28, 2025	4,300,000	4,300,000	0.40	3.9
	10,968,500	10,968,500	0.40	3.0

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

Outstanding share options				
Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
December 31, 2022	218,500	218,500	0.40	2.0
August 19, 2023	200,000	200,000	0.40	2.6
August 28, 2023	200,000	200,000	0.40	2.7
March 7, 2024	5,400,000	5,400,000	0.40	3.2
March 29, 2024	50,000	50,000	0.40	3.2
August 28, 2025	4,300,000	4,300,000	0.40	4.7
	10,368,500	10,368,500	0.40	3.7

2021:

On March 10, 2021, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on March 10, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.092 per share option at the grant date for a total of \$18,400 using the Black-Scholes option pricing model.

On May 6, 2021, the Company granted 200,000 share options to consultants at an exercise price of \$0.50 per share, expiring on May 6, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.145 per share option at the grant date for a total of \$29,060 using the Black-Scholes option pricing model.

On September 16, 2021, the Company granted 200,000 share options to a consultant at an exercise price of \$0.40 per share, expiring on September 16, 2024. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.104 per share option at the grant date for a total of \$20,700 using the Black-Scholes option pricing model.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

12. Share-based compensation (continued):

(a) Share option plan (continued):

2020:

On August 19, 2020, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on August 19, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.11 per share option at the grant date for a total of \$21,900 using the Black-Scholes option pricing model.

On August 28, 2020, the Company granted 200,000 share options to consultants at an exercise price of \$0.40 per share, expiring on August 28, 2023. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.14 per share option at the grant date for a total of \$27,280 using the Black-Scholes option pricing model.

On August 28, 2020, the Company granted 4,300,000 share options to directors, officers, consultants and employees at an exercise price of \$0.40 per share, expiring on August 28, 2025. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.18 per share option at the grant date for a total of \$786,470 using the Black-Scholes option pricing model.

The following table provides the weighted average fair value of share options granted:

	September 30 2021	December 31 2020
	\$	\$
Weighted average fair value of share options granted	0.1136	0.1778

The fair value of each share option granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	September 30 2021	December 31 2020
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	\$0.355	\$0.324
Weighted average expected volatility ⁽¹⁾	59.82%	79.55%
Weighted average risk-free interest rate	0.43%	1.69%
Weighted average exercise price at grant date	\$0.43	\$0.40
Weighted average expected life	2.67 years	4.92 years

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

13. General and administrative expenses by nature:

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

	Three-month period ended		Nine-month period ended	
	September 30 2021	September 30 2020	September 30 2021	September 30 2020
	\$	\$	\$	\$
Selling and administrative expenses:				
Salaries and employee benefit expense	497,757	99,341	1,042,569	290,427
Management and consulting fees	59,649	1,064,469	917,748	2,033,708
Professional fees	65,282	102,590	305,633	378,779
Business development	105,130	248,197	292,749	664,445
Rent and office expenses	89,285	34,337	179,508	138,577
Registration, listing fees and shareholders information	21,420	58,581	83,514	101,278
Project implementation cost	17,658	78,480	126,694	144,402
Share-based compensation	20,820	835,650	68,160	835,650
Depreciation of right-of-use assets	-	25,502	40,947	82,562
Depreciation of property and equipment	4,388	5,737	13,738	17,880
	881,389	2,552,884	3,071,260	4,687,708

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

14. Finance expenses:

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

	Three-month period ended		Nine-month period ended	
	September 30 2021	September 30 2020	September 30 2021	September 30 2020
	\$	\$	\$	\$
Bank charges & other interest	1,886	2,644	10,116	11,853
Interest on lease liabilities	-	5,276	1,215	16,680
Interest on promissory note	-	5,546	-	27,663
Interest on loan	1,163	1,197	3,066	1,197
Interest on convertible debenture	38,283	-	88,351	-
Presumed interest on convertible debenture	51,677	-	161,029	-
Transaction costs from debenture refinancing	-	-	62,786	-
Finance expenses	93,009	14,663	326,563	57,393

15. Supplemental cash flow information:

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

	Nine-month period ended	
	September 30 2021	September 30 2020
	\$	\$
Non-cash financing activities:		
Shares issued as payment of consulting fees	81,100	87,177
Share issuance costs in trade accounts payable and accrued liabilities	-	5,946
Broker warrants issued as a finder's fee	-	38,353
Non-cash investing activities:		
Mining properties in trade accounts payable and accrued liabilities	-	91,869
Exploration and evaluation assets in trade accounts payable and accrued liabilities	-	37,489

16. 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		Nine-month period ended	
	September 30 2021	September 30 2020	September 30 2021	September 30 2020
	\$	\$	\$	\$
Management and consulting fees	12,785	427,161	1,049,407	1,260,228
Salaries and director's fees	385,353	23,384	433,107	69,826
Share-based compensation		658,438		658,438
	398,138	1,108,983	1,482,514	1,988,492

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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

17. 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:

	September 30 2021		December 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Fair value through profit or loss (FVTPL)				
Marketable securities	158,122	158,122	136,560	136,560
Amortized cost				
Cash and cash equivalents	655,918	655,918	897,979	897,979
Short-term investment	15,000	15,000	15,000	15,000
Other receivables (excluding sales tax receivable)	78,238	78,238	44,745	44,745
	907,278	907,278	1,094,284	1,094,284
	September 30 2021		December 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial liabilities				
Amortized cost				
Trade accounts payable and other liabilities (excluding sources deductions & contributions)	716,764	716,764	1,566,014	1,566,014
Convertible debenture	1,322,796	1,322,796	813,249	813,249
Loan	33,579	33,579	22,683	22,683
Fair value through profit or loss (FVTPL)				
Embedded derivative on convertible debenture	61,830	61,830	38,465	38,465
Warrants	57,716	57,716	100,559	100,559
	2,192,685	2,192,685	2,540,970	2,540,970

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 \$158,122 as at September 30, 2021 (\$136,560 as at December 31, 2020) and are determined by using the closing price for September 30, 2021 and December 31, 2020.

The fair values of the loans are \$33,579 as at September 30, 2021 (\$22,683 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the convertible debenture is \$1,322,796 as at September 30, 2021 (\$813,249 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the embedded derivative on convertible debenture is \$61,830 as at September 30, 2021 (\$38,465 as at December 31, 2020) and is determined by using the estimated market rate that the Company would have obtained for a similar financing through the discounted cash flows method.

The fair values of the warrants are \$57,716 as at September 30, 2021 (\$100,559 as at December 31, 2020) and are determined by using the Black-Scholes option pricing model for September 30, 2021 and December 31, 2020.

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).

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

17. Financial assets and liabilities (continued):

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 loans and the convertible debenture were classified under level 2 in 2020.

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

	September 30 2021		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities			
Fair value through profit or loss (FVTPL)	158,122	-	-
Convertible debenture			
Amortized cost	-	1,322,796	-
Embedded derivative on convertible debenture			
Fair value through profit or loss (FVTPL)	-	61,830	-
Loans			
Amortized cost	-	33,579	-
Warrants			
Fair value through profit or loss (FVTPL)	-	57,716	-
	158,122	1,475,921	-
	December 31 2020		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities			
Fair value through profit or loss (FVTPL)	136,560	-	-
Convertible debenture			
Amortized cost	-	813,249	-
Embedded derivative on convertible debenture			
Fair value through profit or loss (FVTPL)	-	38,465	-
Loans			
Amortized cost	-	22,683	-
Warrants			
Fair value through profit or loss (FVTPL)	-	100,559	-
	136,560	974,956	-

18. 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.

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

18. Capital management policies and procedures (continued):

	September 30 2021	December 31 2020
	\$	\$
Convertible debenture	1,322,796	813,249
Embedded derivative on convertible debenture	61,830	38,465
Loans	33,579	22,683
Warrants	57,716	100,559
Equity (Deficiency)	(922,737)	(975,624)
	553,184	(668)

19. 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 nine-month period ended September 30, 2021 and December 31, 2020, the Company has financed working capital needs through a loan, a convertible debenture, a promissory note, the exercise of warrants and private financings consisting of issuance of shares. Management estimates that the cash and cash equivalents as at September 30, 2021 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:

	September 30 2021			
	Less than 1 year	1-5 years	More than 5 years	Total
	\$	\$	\$	\$
Trade accounts payable and other liabilities	716,764	-	-	716,764
Convertible debenture	1,650,000	-	-	1,650,000
Embedded derivative on convertible debenture	75,000	-	-	75,000
Loans	-	40,000	-	40,000
	December 31 2020			
	Less than 1 year	1-5 years	More than 5 years	Total
	\$	\$	\$	\$
Trade accounts payable and other liabilities	1,566,014	-	-	1,566,014
Convertible debenture	1,100,000	-	-	1,100,000
Embedded derivative on convertible debenture	50,000	-	-	50,000
Loan	-	30,000	-	30,000

CERRO DE PASCO RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2021 and 2020

(in Canadian dollars)

19. Financial instrument risks (continued):

(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 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 September 30, 2021 and December 31, 2020, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

	September 30 2021	December 31 2020
	\$	\$
Financial instruments denominated in USD		
Cash and cash equivalents	47,986	12,968
Other receivables	37,330	9,804
Prepaid expenses	65,187	106,420
Trade accounts payable and other liabilities	(345,853)	(798,318)
Lease liabilities	-	(52,811)
Net exposure	(195,350)	(721,937)

Based on the above net exposure as at September 30, 2021 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of \$19,535 (\$72,194 in 2020) 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 49.54% has been observed during the nine-month period ending September 30, 2021 (51.58% for the year ended December 31, 2020).

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 as per the volatility, profit and loss would have changed by a markup of \$78,334 as at September 30, 2021 (markup of \$70,438 as at December 31, 2020) or if quoted stock price for these securities had decreased as per the volatility, profit and loss would have changed by a markdown of \$78,334 as at September 30, 2021 (\$70,438 as at December 31, 2020).

20. Contingency:

On October 5, 2018, before the RTO (see Note 6 of the audited financial statements for the year ended December 31, 2019), the Company 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. 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 however Genius Metals has indemnified the Company for any such liability.

21. Subsequent events:

On November 8, 2021 the Company has entered into a share purchase agreement with Trevali Mining Corporation ("Trevali") (TSX: TV) (BVL: TV) (OTCQX: TREV) (Frankfurt: 4T1), pursuant to which it will acquire Trevali's Santander Mine located approximately 215 kilometres northeast of Lima, Peru and comprising an underground mine, a 2,000-tonne-per-day processing mill, a conventional sulphide flotation mill, and associated infrastructure. The Transaction is subject to customary closing conditions and is expected to close during the last quarter ended December 31, 2021.