CONSOLIDATED FINANCIAL STATEMENTS

CERRO DE PASCO RESOURCES

For the years ended December 31, 2022, and 2021

Management’s Responsibilities over Financial Reporting

The Financial Statements of Cerro de Pasco Resources Inc. (the "Corporation", “Company, or "CDPR") are the responsibility of the Corporation’s management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and reflect management’s best estimates and judgment based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited.

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Cerro de Pasco Resources Inc.

Opinion

We have audited the consolidated financial statements of Cerro de Pasco Resources Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of Santander mine

As described in Note5 to the consolidated financial statements, the Company performs an impairment test on cash generating units (CGU) when events or changes in circumstances indicate that their carrying amount may not be recoverable. During the year, management identified impairment indicators and prepared an impairment assessment on the Santander mine CGU. We identified the impairment assessment of Santander mine as a key audit matter.

Why the matter was determined to be a key audit matter

The impairment assessment of Santander mine is significant to our audit because management's determination of the recoverable amount involves significant judgment and a high degree of subjectivity and efforts, including the need to involve valuation experts. In addition, the property, plant and equipment and exploration and evaluation assets included in Santander mine CGU total $16,385,869, which is material to the consolidated financial statements.

How the matter was addressed in the audit

Our audit procedures related to the Company's impairment assessment of Santander mine included, among others, the following:

- We evaluated the reasonableness of the Company's cash flows by comparing projections to:
    - historical production volumes and plant capacity;
    - updated mineral resources estimate;
    - historical recovery rates;
    - historical operating costs;
    - current business plans;
- We used our valuation experts to assist us in evaluating the assumptions, methodologies and data used by the Company, in particular for the annual price of zinc and the discount rates;
- We assessed the competence, capabilities and objectivity of management's expert in relation to estimates of mineral resources;
- We performed a sensitivity analysis on significant management assumptions used in the valuation model.

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

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

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

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

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

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 28, 2023

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[1] CPA auditor, public accountancy permit no. A127023

Cerro de Pasco Resources Inc.
Consolidated Statements of Financial Position
December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

	Note	2022	2021 (Restated)	December 31, 2020 (Restated)
		$	$	$
Assets				
Current assets:				
Cash and cash equivalents	9	992,301	9,981,779	704,288
Cash and cash equivalents – restricted	9	4,462,271	1,100,614	-
Accounts receivable		5,660,345	9,030,272	18,455
Other financial assets		66,240	93,812	118,869
Other receivables	11	2,456,496	841,236	52,448
Income and mining taxes receivable		701,060	753,214	-
Inventories	10	2,547,917	2,337,334	-
Prepaid expenses	12	1,194,902	660,887	124,266
Total current assets		**18,081,532**	24,799,148	1,018,326
Non-current assets:				
Cash and cash equivalents – restricted	9	-	981,075	-
Right-of-use assets		-	-	32,600
Property, plant & equipment	13	9,085,578	5,904,857	41,194
Mining properties, exploration, and evaluation assets	14	8,710,668	6,651,553	1,214,209
Other intangibles		-	14,988	-
Total non-current assets		**17,796,246**	13,552,473	1,288,003
Total assets		**35,877,778**	38,351,621	2,306,329
Liabilities and Equity				
Current liabilities:				
Trade accounts payable and other liabilities	15	29,095,996	14,951,573	2,210,530
Promissory note	17	818,719	1,047,672	-
Lease liabilities		-	-	41,479
Balance of purchase price payable		1,674,194	1,674,194	-
Current portion of contingent consideration payable		2,493,844	-	-
Current portion of provision for remediation and mine closure	16	307,752	903,017	-
Current portion of loan	18	699,453	1,296,513	-
Convertible debenture	19	922,029	1,085,794	637,831
Embedded derivative on convertible debenture		-	52,081	30,168
Provision for taxes payable		1,715,112	-	-
Total current liabilities		**37,727,099**	21,010,844	2,920,008
Non-current liabilities:				
Loan	18	-	641,640	17,790
Contingent consideration payable		-	1,102,191	-
Provision for remediation and mine closure	16	13,891,385	13,810,698	-
Warrants – Liability		-	29,593	78,868
Deferred income tax		53,301	53,301	53,301
Total non-current liabilities		**13,944,686**	15,637,423	149,959
Total liabilities		**51,671,785**	36,648,267	3,069,967
(Deficiency) Equity:				
Share capital	21	23,663,537	23,504,726	19,343,263
Warrants	21	1,198,470	943,032	581,652
Share options	22	1,492,827	1,453,541	1,454,140
Contributed surplus		762,546	621,309	517,764
Deficit		(43,609,287)	(25,050,610)	(22,948,606)
Accumulated other comprehensive income		742,050	231,356	288,149
Total shareholders' equity (deficiency) attributable to owners of the parent company		**(15,749,857)**	1,703,354	(763,638)
Non-controlling interests	8	(44,150)	-	-
Total shareholders' equity (deficiency)		**(15,794,007)**	1,703,354	(763,638)
Total liabilities and shareholders' equity (deficiency)		**35,877,778**	38,351,621	2,306,329

Going concern, see Note 2.
Subsequent events, see Note 31.

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

These financial statements were approved and authorized for issue by the Board of Directors on April 28, 2023.

On behalf of the board,

Steven Zadka /s/
Executive Chairman

Guy Goulet /s/
CEO, Director

Cerro de Pasco Resources Inc.
Consolidated Statements of Comprehensive Loss
December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

	Note	Year ended December 31, 2022	2021 (Restated)
		$	$
Revenue from Zinc, Lead and Silver concentrate sales	23	40,591,297	7,120,766
Cost of sales		41,827,007	4,534,445
Gross Profit (loss)		**(1,235,710)**	2,586,321
Expenses:			
Selling expenses		1,006,458	139,105
Exploration and evaluation expenditures		3,647,368	-
Costs related to the acquisition of a mining company		-	544,887
Research and development expenses		247,447	-
General and administrative expenses	23	7,332,658	3,777,986
Operating loss before other revenues (expenses) and income tax		**(13,469,641)**	(1,875,657)
Other revenues (expenses):			
Financial income		73,669	51,960
Financial expenses	23	(1,288,719)	(437,900)
Non-recoverable sales taxes		(146,216)	(61,189)
Change in fair value of other financial assets		(22,126)	(25,643)
Change in fair value of warrants and embedded derivative on convertible debenture		28,942	159,588
Gain on settlement of payables		-	75,521
Gain on convertible debenture refinancing		100,124	8,303
Gain on bargain purchase	7	-	561,123
Gain on dissolution of subsidiaries	6	99,697	-
Government assistance		-	9,707
Change in fair value of contingent consideration		(1,308,495)	-
Exchange gain (loss)		(460,156)	74,676
		(2,658,108)	416,146
Loss before income taxes		**(16,392,921)**	(1,459,511)
Income and mining taxes	26	(2,216,422)	(642,493)
Net loss		**(18,609,343)**	(2,102,004)
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Currency translation adjustment		516,564	(56,792)
Other comprehensive loss (income) net of tax		**516,564**	(56,792)
Net comprehensive loss		**(18,092,779)**	(2,158,796)
Net loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		(18,558,677)	(2,102,004)
Non-controlling interests		(50,666)	-
		(18,609,343)	(2,102,004)
Other comprehensive income (loss) attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		514,452	(56,792)
Non-controlling interests		2,112	-
		516,564	(56,792)
Total comprehensive loss attributable to:			
Shareholders of Cerro de Pasco Resources Inc.		(18,044,225)	(2,158,796)
Non-controlling interests		(48,554)	-
		(18,092,779)	(2,158,796)
Weighted average number of common shares outstanding		**287,651,238**	270,855,089
Basic and diluted loss per share:		**0.06**	0.01

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

Cerro de Pasco Resources Inc.
Consolidated Statements of Changes in Equity
December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

	Note	Number of shares outstanding	Share capital	Warrants	Share options	Contributed surplus	Deficit	Accumulated other comprehensive Income (loss)	Total attributable to the owners	Non-controlling interests	Total equity (deficiency)
(Restated)			**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance as at December 31, 2021		**287,044,280**	**23,504,726**	**943,032**	**1,453,541**	**621,309**	**(25,050,610)**	**231,356**	**1,703,354**	**-**	**1,703,354**
Shares and units issued:											
Consulting fees	21	846,654	158,811	-	-	-	-	-	158,811	-	158,811
Warrants issued as part of a convertible debenture	21	-	-	109,143	-	-	-	-	109,143	-	109,143
Warrants issued as penalty interest on promissory note		-	-	76,621	-	-	-	-	76,621	-	76,621
Warrants issued as part of promissory note refinancing	21	-	-	95,010	-	-	-	-	95,010	-	95,010
Warrants expired	21	-	-	(25,336)	-	25,336	-	-	-	-	-
Share options granted	22	-	-	-	106,726	-	-	-	106,726	-	106,726
Share options forfeited	22	-	-	-	(67,440)	67,440	-	-	-	-	-
Reclassification of embedded derivative upon extinguishment of convertible debenture		-	-	-	-	48,461	-	-	48,461	-	48,461
Reclassification of accumulated other comprehensive income for dissolved entity		-	-	-	-	-	-	(3,758)	(3,758)	-	(3,758)
Non-controlling interests		-	-	-	-	-	-	-	-	4,404	4,404
Transactions with owners		846,654	158,811	255,438	39,286	141,237	-	(3,758)	591,014	4,404	595,418
Net income (loss) and comprehensive income (loss) for the year		-	-	-	-	-	(18,558,677)	514,452	(18,044,225)	(48,554)	(18,092,779)
Balance as at December 31, 2022		**287,890,934**	**23,663,537**	**1,198,470**	**1,492,827**	**762,546**	**(43,609,287)**	**742,050**	**(15,749,857)**	**(44,150)**	**(15,794,007)**
(Restated)											
Balance as at December 31, 2020		**266,636,294**	**19,343,263**	**581,652**	**1,454,140**	**517,764**	**(22,948,606)**	**288,149**	**(763,638)**	**-**	**(763,638)**
Shares and units issued:											
Private placements	21	8,566,557	2,212,551	196,804	-	-	-	-	2,409,355	-	2,409,355
Consulting fees	21	270,000	71,593	-	-	-	-	-	71,593	-	71,593
Costs related to the acquisition of a mining company		1,571,429	397,691	27,294	-	-	-	-	424,985	-	424,985
Acquisition of a mining company		10,000,000	1,627,100	-	-	-	-	-	1,627,100	-	1,627,100
Share issuance costs		-	(147,472)	-	-	-	-	-	(147,472)	-	(147,472)
Warrants issued as part of a promissory note financing		-	-	137,282	-	-	-	-	137,282	-	137,282
Share options granted	22	-	-	-	54,712	-	-	-	54,712	-	54,712
Share options forfeited	22	-	-	-	(55,311)	55,311	-	-	-	-	-
Conversion options from convertible debenture refinancing		-	-	-	-	48,234	-	-	48,234	-	48,234
Transactions with owners		20,407,986	4,161,463	361,380	(599)	103,545	-	-	4,625,790	-	4,625,790
Net loss and comprehensive loss for the year		-	-	-	-	-	(2,102,004)	(56,793)	(2,158,797)	-	(2,158,797)
Balance as at December 31, 2021 (Restated)		**287,044,280**	**23,504,726**	**943,032**	**1,453,541**	**621,309**	**(25,050,610)**	**231,356**	**1,703,354**	**-**	**1,703,354**

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

Cerro de Pasco Resources Inc.
Consolidated Statements of Cash Flows
December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

	Note	Year ended December 31, 2022	2021 (Restated)
		$	**$**
Operating activities:			
Net loss		**(18,609,343)**	(2,102,004)
Adjustments for:			
Income taxes		-	561,123
Provision for contingent taxes		1,715,112	-
Consulting fees paid through issuance of shares		158,812	71,593
Costs related to the acquisition of a mining company paid through issuance of shares		-	410,506
Costs related to the acquisition of a mining company paid through issuance of warrants		-	28,174
Share-based compensation		106,726	54,713
Change in fair value of other financial assets		33,188	25,643
Change in fair value of warrants and embedded derivative on convertible debenture		(28,942)	(159,588)
Change in fair value of contingent consideration payable		1,391,653	-
Gain on dissolution of subsidiaries		(97,596)	-
Gain on extinguishment of convertible debenture		(100,124)	(8,303)
Gain on settlement of payables		-	(75,521)
Interest on lease liabilities		-	960
Gain on bargain purchase	7	-	(561,123)
Effective interest on loan		1,942	1,675
Presumed interest on convertible debenture		304,279	173,933
Presumed interest and penalties paid on promissory note		343,988	30,365
Presumed interest on mine closure provision		-	4,525
Unrealized FX loss (gain)		-	(3,007)
Depreciation of right-of-use assets		-	32,600
Depreciation of other intangibles		14,988	-
Depreciation of property, plant, and equipment	13	1,887,505	353,076
Operating activities before changes in working capital items		(12,877,812)	(1,160,660)
Change in working capital items	27	12,391,188	(5,994,252)
Cash flows used in operating activities		**(486,624)**	(7,154,912)
Financing activities:			
Proceeds from private placements		-	2,391,440
Proceeds from promissory note	17	-	1,196,400
Promissory note transaction costs	17	-	(26,034)
Repayment of convertible debenture	19	(230,880)	-
Repayment of promissory note	17	(246,272)	-
Repayment of a loan		(1,238,687)	-
Proceeds from a loan	18	-	7,976
Lease liabilities repayments		-	(41,479)
Interest paid on lease liabilities		-	(960)
Proceeds from issuance of convertible debenture	19	-	398,800
Share issuance costs	21	-	(147,472)
Transactions with minority interests in subsidiaries	8	4,404	-
Cash flows provided by (used in) financing activities		**(1,711,435)**	3,778,671
Investing activities:			
Acquisition of a mining company net of cash received	7	-	16,139,800
Acquisition of property, plant, and equipment		(5,002,312)	(2,794,779)
Reimbursement (acquisition) of exploration and evaluation assets	14	30,380	(117,907)
Investment in mining concessions and mining development		(2,089,495)	-
Acquisition of mining property	7	-	(192,006)
Cash flows provided by (used in) investing activities		**(7,061,427)**	13,035,108
Net change in cash and cash equivalents		(9,259,486)	9,658,867
Cash and cash equivalents, beginning of year		9,981,779	704,288
Effect of exchange rate fluctuations on cash held in foreign currencies		270,008	(381,376)
Cash and cash equivalents, end of year		**992,301**	9,981,779

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

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 a natural resource company engaged in the acquisition, exploration, and development of mineral properties. The Company also produces zinc and lead-silver concentrates from the Santander mine in Peru.

Cerro de Pasco Resources Inc. is a company located 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 “CPDR”.

Prior to the acquisition of Cerro de Pasco Resources Subsidiaria del Perú S.A.C. (formerly Trevali Peru S.A.C.) (”Santander”) the Company had been in pre-operative stage company. As of December 3, 2021 with the acquisition of Santander, the Company engaged in the development of all types of mining activities, without exception, which include the exploration and exploitation of mining rights, processing and sale of minerals and metals, such as lead, zinc and silver in the Santander mining unit that is located in Santa Cruz de Andamarca, province of Huaral, Lima, Peru.

During 2022, the Company abandoned any effort to reinstate its wholly owned subsidiary Zencig Corp., previously administratively dissolved by the Delaware Secretary of State for failing to meet its filing requirements (see Note 6).

Additionally, during 2022, the Company abandoned any effort to reinstate its wholly owned dormant subsidiary Zippler Inc., previously administratively dissolved under the Canada Business Corporation Act for non-compliance (see Note 6).

2. GOING CONCERN:

The accompanying consolidated financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

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

For the year ended December 31, 2022, the Company recorded a net loss of $18,609,343 ($2,102,004 in 2021) due mainly to exploration and development in the Santander mine. The accumulated deficit of $43,609,287 as at December 31, 2022 ($25,050,610 as at December 31, 2021) is attributable to all sectors of the Company. As at December 31, 2022, the Company had negative working capital of $19,645,567 (positive working capital of $3,788,304 as at December 31, 2021) consisting of cash and cash equivalents, restricted and not restricted, of $5,454,572 ($11,082,393 as at December 31, 2021). This casts significant doubt regarding the Company's ability to continue as a going concern; unless any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. In the year ended December 31, 2021, the Company raised approximately $2.4 million from private placements consisting of common shares to fund exploration works and working capital (approximately $16.1 million net cash achieved in the acquisition of the Santander mining operations). In the year ended December 31, 2022, the Company was unable to obtain additional financing through liability or equity raises but was able to delay payments on past due amounts through negotiation with vendors and third-party lenders. The Company was able to raise additional funds of about $2,524 during the first quarter of 2023 to mitigate cash flow concerns. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the continued support from the Company’s suppliers and lenders, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets.

3. BASIS OF PREPARATION:

Statement of compliance:

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

Basis of measurement:

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

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	Principal activity	% Of Ownership
Cerro de Pasco Resources Sucursal del Perú	Active	Peru	Exploration	100%
Cerro de Pasco Resources Subsidiaria del Perú S.A.C. *(formerly Trevali Peru S.A.C.," Santander*")	Active	Peru	Production	100%
H2-SPHERE GmbH (H2 Sphere")	Active	Germany	Research	80%

The two inactive subsidiaries of the Company, Zencig Corp, and Zippler Inc., were dissolved during the third quarter of 2022 (Note 6).

Functional and presentation currency

The consolidated financial statements are presented in United States dollars ("USD"). The functional currency of Cerro de Pasco Resources Inc. is the Canadian dollar ("CAD"). The functional currency of Cerro de Pasco Resources Sucursal del Peru and Santander is USD. The functional currency of H2-Sphere GmbH is the Euro. See Note 4 for change in presentation currency details.

Use of estimates and judgements:

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

Estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Significant management judgment:

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

Going concern

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

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

The Corporation is subject to taxes from different tax country jurisdictions. Determining the tax treatment of a transaction requires the Corporation to apply judgment in its interpretation of the applicable tax law. The tax treatment may change based on the result of assessments or audits by the tax authorities, often years after the initial filing.

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 26).

(b) Estimation uncertainty:

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

Impairment of exploration and evaluation assets

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

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

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

Impairment assessment of property, plant, and equipment

An impairment assessment requires the use of estimates and assumptions such as future zinc, lead, and silver prices (considering current and historical prices, price trends and related factors), operating and capital costs, discount rates, foreign exchange rates, closure and remediation costs, estimated life-of mines, mineral reserves and resources including exploration potential and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or cash generating units ("CGUs"). Such circumstances may give rise to an impairment or a reversal of previous impairments with the impact.

Reclamation and remediation provision

The ultimate costs for reclamation and remediation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of remediation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, the risk-free interest rate for discounting future cash flows, foreign exchange rates, and estimates of the underlying currencies in which the provisions will ultimately be settled. The Company estimates its costs based on studies using current restoration standards and techniques, and the provision at the reporting date represents management's best estimate of the present value of the future remediation costs required.

Useful lives of mineral properties, plant, and equipment

Estimated mineral resources are used in determining the depreciation of certain assets. This results in depreciation expense proportional to the depletion of the anticipated remaining life-of-mine production. The estimate of the remaining lives of the Company's producing mineral properties is based on a combination of quantitative and qualitative factors including historical production and financial results, mineral resources reported under National Instrument 43-101 ("NI 43-101"), estimates of ore mineral feed production from areas not included in the NI 43-101 reports, and management's intent to operate the property. The estimated remaining lives of the producing mineral properties are used to calculate amortization and depletion expense, forecast the timing of the payment of reclamation and remediation costs and perform impairment or impairment reversal testing to review the carrying values of assets and/or CGUs.

There are numerous uncertainties inherent in estimating the remaining lives of the producing mineral properties, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the resources, estimates of production from areas not included in the NI 43-101 reports, and management's intent to operate the property, and may ultimately have a material impact on the estimated remaining lives of the properties.

Share-based compensation

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 22).

Basis of depreciation of mining sites in production

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

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

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

Inventories

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

Provision and contingent liabilities

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

Purchase price allocation related to acquisition of Santander

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability (see Note 7).

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

4. CHANGES IN ACCOUNTING POLICY:

Change in presentation currency

As a result of the acquisition and increased operations of the acquired subsidiary, Santander, the Company has changed its financial statement presentation currency from CAD to USD, effective January 1, 2022 for these consolidated financial statements. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively. Cerro de Pasco Resources Sucursal del Perú and Santander maintain functional currencies in USD. The Companys corporate office, which has a CAD functional currency, has been translated at the rate of exchange prevailing at the respective statement of financial position date except for equity ítems, which have been translated at accumulated historical rates from the related entities date of incorporation. The statements of loss and comprehensive loss were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transaction. Exchange differences arising from date of re-statement have been recognized in other comprehensive income and accumulated as a separate component of equity.

With the retrospective application of the change in presentation currency from CAD to USD, the Accumulated Other Comprehensive Income (“AOCI”) related to the translation of the “USD” functional currency subsidiaries was eliminated. The Company’s corporate office, which has a CAD functional currency, resulted in an AOCI balance.

5. SIGNIFICANT ACCOUNTING POLICIES:

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

Revenue recognition

The principal activity from which the Corporation generates its revenue is the sale of zinc and lead-silver concentrates to third parties. Revenue is measured based on the consideration specified in the contract with the customer. Revenue of sales concentrate is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the concentrate is transferred to the carrier transporting the product.

Non-controlling interests:

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

Foreign currency transactions and balances:

The consolidated financial statements are presented in US dollars (see Note 3 on Functional and presentation currency). Foreign currency transactions and balances are translated in their respective functional currency using the following method:

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

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

Goodwill, intangibles and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the rate in effect at the statement of financial position date.

Financial instruments:

(a) Recognition and derecognition:

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

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

(b) Classification and initial measurement of financial assets:

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

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

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

The classification is determined by both:

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

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

(c) Subsequent measurement of financial assets:

(i) Financial assets at amortized cost:

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

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

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

(ii) Financial assets at fair value through profit or loss (FVTPL):

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category contains marketable securities in a quoted company (presented within other financial assets). The Company accounts for the investments at FVTPL and did not make the irrevocable election to account for the investment in Genius Metal Inc. and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirement of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(d) Compound financial instruments:

The component parts of compound financial instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the liability component is recognized at fair value, which is estimated using the borrowing rate available for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity component is determined at the date of issue by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debentures, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option.

Transaction costs related to the issue of convertible debentures are allocated to the liability and equity component in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debenture using the effective interest method.

Impairment of financial assets:

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

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

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

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

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

Classification and measurement of financial liabilities:

The Company's financial liabilities at amortized cost include trade accounts payable and other liabilities, promissory note, balance of purchase price payable, convertible debenture and loan. The Company's financial liabilities designated at FVTPL include warrants, embedded derivative on convertible debenture, and contingent consideration payable.

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

***Business Acquisitions*:**

The Company accounts for its acquisitions using the acquisition method whereby assets acquired, and liabilities assumed are recorded at their estimated fair values with the surplus of the aggregate consideration relative to the fair value for the identifiable net assets recorded as goodwill.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost of consideration is measured as the fair value of the assets provided, equity instruments issued, liabilities incurred or assumed and any non-controlling interest acquired at the acquisition date;
- identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed, and any residual difference is recognized directly in net earnings;
- any costs directly attributable to the business combination are expensed as incurred; and
- contingent consideration is measured at fair value at the acquisition date and changes in fair value are recognized in net earnings.

Basic and diluted loss per share:

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

Cash and cash equivalents:

Cash and cash equivalent consists of cash and cash in trust, as well as other highly liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment. Restricted cash is not available for use by the Company and therefore is not considered highly liquid, for example, cash set aside to cover remediation obligations.

Marketable Securities

Marketable securities comprise shares of other publicly traded companies and are recorded at fair value as of the date of the statement of financial position. The difference from the original basis related to the share of other publicly traded companies is recorded in net loss.

Inventories

Inventories comprise finished products, stockpile and supplies. Finished products are valued at cost or net realizable value, whichever is lower. The finished products and stockpile include all production costs incurred directly, including direct labor and materials, freight and amortization, and directly attributable operating expenses. Supplies to be used in exploration and production are valued at acquisition cost, freight, and other directly attributable costs, which is determined using the weighted average method and the cost of inventories to be received, using the specific cost method.

The impairment of the value of the inventories is determined based on the net realizable value, which is the estimated sale price in the normal course of business, less the costs necessary to finish their production, put the inventories in a condition for sale and carry out their commercialization. For reductions in the book value of the inventories to their net realizable value, a provision for inventory impairment is made with a charge to profit or loss in the period in which such reductions occur.

The devaluation of supplies is calculated annually taking into account the inventory items that have not had movements in the last 12 months, discounting security or critical items. The provision for impairment for the period is recorded with a charge to profit or loss for the year.

Property, plant, and equipment:

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

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

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

The Santander mining unit, depreciation is determined using the units of production (PU) method calculated based on the economically recoverable resources. Other fixed assets including buildings, facilities, other equipment, computer equipment, communication equipment, and furniture and fixtures are depreciated using the straight-line method over the useful life of assets.

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

Works in progress is not depreciated.

The estimated useful lives are as follows:

	Depreciation method	Useful life
Buildings	Straight-line	10
Mining unit	PU	6 to 7
Plant	PU	6 to 7
Facilities	Straight-line	10
Miscellaneous equipment	Straight-line	10
Computer equipment	Straight-line	3 to 5
Communication equipment	Straight-line	5
Software	Straight-line	2
Furniture and fixtures	Straight-line	5 to 10

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

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

Mining properties and exploration and evaluation assets:

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

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

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

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

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts, the difference is then immediately recognized in profit or loss. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant, and equipment. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

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

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

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

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

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

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

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

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

Provisions, contingent liabilities, and contingent assets:

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

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

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable, and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. To take into account the estimated cash flows required to settle its obligations arising from environmentally acceptable closure plans (such as dismantling and demolition of infrastructures, removal of residual matter and site restoration), provisions are recognized in the year, when the Company has an actual restoration mining site obligation and it is likely that an outflow will be required in settlement of the obligation and the obligation is reasonably determinable. These provisions are determined on the basis of the best estimates of future costs, based on information available on the reporting date.

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

As at December 31, 2022 and 2021, the Company had the provision for remediation and mine closure.

Income taxes:

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

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

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

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

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

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

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

Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of- use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right- of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method and is re- measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities on the consolidated statements of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low- value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease.

Share capital:

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

If shares are issued following the exercise of share options, or warrants, this account also includes the charge previously accounted to the warrants and share options accounts. Furthermore, if shares are issued following the acquisition of mining property or other non-financial assets, shares are valued at fair value of mining property on the day the agreement was concluded. Unless this fair value cannot be estimated reliably, in which case the fair value is estimated according to the quoted price on the day of the conclusion of the agreement.

Unit placements:

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

Other elements of equity:

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

Deficit includes all current and prior year retained losses.

Accumulated other comprehensive losses include all foreign currency translation adjustments.

Equity-settled share-based compensation:

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

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

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

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

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

New standards and interpretations that have not yet been adopted:

Since the issuance of the Company’s audited consolidated financial statements for the year ended December 31, 2022, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company but not yet effective.

None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company’s consolidated financial statements

6. DISSOLUTION OF SUBSIDIARIES

Administrative dissolution of Zencig Corp. and Zippler Inc.

The Company's wholly owned subsidiaries Zencig Corp. and Zippler Inc. were previously administratively dissolved (see Note 1). Effective September 30, 2022, the Company deconsolidated Zencig Corp. and recognized a gain, which was recorded in the consolidated statement of operations as a gain on the dissolution of a subsidiary. Effective September 30, 2022, the Company also deconsolidated Zippler Inc. The total gain on dissolution of subsidiaries amounted to $99,697 at December 31, 2022.

7. BUSINESS ACQUISITION:

On December 3, 2021, the Company completed the acquisition of all of the outstanding common shares of Trevali Peru S.A.C. ("Santander" or "Trevali Peru"). The acquisition of Trevali Peru (the "Transaction") provides the Company with an operating mine with pre-existing infrastructure and sales revenue. The company plans to further develop the mine to access the adjacent Santander Pipe, a higher-grade orebody. The company believes it will be able to mine the Santander Pipe within the next three years. Trevali Peru is a Peruvian entity whose main asset is the Santander Mine, located in Peru and comprising of an underground mine, a 2,500-tonne-per-day processing mill, a conventional sulphide flotation mill, and associated infrastructure.

The aggregate consideration paid by CDPR for the acquisition of Trevali Peru consisted of:

- a cash payment in the amount of $779,552 ($1,000,000 CAD)
- the issuance of 10,000,000 common shares of CDPR, valued at $1,627,100 ($2,085,223 CAD);
- a net smelter royalty equal to 1% on all new deposits beyond those resources currently defined at the Magistral and Santander Pipe deposits; and
- an additional cash payment of $2,500,000, on or before January 9, 2023, in the event that, for the period beginning on January 1, 2022, and ending on December 31, 2022 (inclusive), the average official spot price for zinc on the London Metal Exchange is equal to or greater than $1.30 per pound with a fair value of $1,115,816.
- The transaction costs for this acquisition were $507,245.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

The following summarizes the final allocation of the consideration for this acquisition, which is unchanged from the preliminary acquisition previously disclosed:

	$
Amount settled in cash	3,926,000
Amount payable due	1,694,890
Common stock (10,000,000 shares)	1,627,100
Fair value of contingent consideration	1,115,816
Total	**8,363,806**
Recognized amounts of identifiable net assets	
Cash and cash equivalents	20,065,800
Cash and cash equivalents - restricted	1,100,614
Accounts receivable	701,681
Other receivables	945,845
Income and mining taxes receivable	720,949
Inventories	3,176,348
Prepaid taxes	47,668
Total current assets	**26,758,905**
Cash and cash equivalents - restricted	981,075
Property, plant, and equipment	5,359,969
Mineral property	5,203,662
Deferred tax assets	556,559
Other intangibles	16,237
Total non-current assets	**12,117,502**
Trade and other payables	(13,034,900)
Total current liabilities	**(13,034,900)**
Loans	(1,895,565)
Provision for remediation and mine closure	(15,021,013)
Total non-current liabilities	**(16,916,578)**
Identifiable net assets	**8,924,929**
Gain on bargain purchase	**(561,123)**
Consideration transferred settled in cash	(3,926,000)
Cash and cash equivalents acquired	20,065,800
Net cash outflow on acquisition	**16,139,800**
Acquisition costs charged to expenses	507,245

The consolidated statements of earnings for the year ended December 31, 2021, includes supplementary revenues of $7.1 million and net earnings of $2.7 million attributable to the business acquired (excluding income taxes.)

If the acquisition had taken place at the beginning of the 2021 fiscal year, management estimates that the acquired business would have provided revenues of $62.9 million and net earnings of $21.7 million.

8. INTERESTS IN SUBSIDIARIES:

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

Name	Proportion of ownership interest and voting rights held by NCI	Total Comprehensive Loss attributable to NCI	Accumulated NCI
H2 -Sphere GMBH	20%	$48,554	$44,150

No dividends were paid to the NCI during the years ended December 31, 2022 and 2021.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

9. CASH AND CASH EQUIVALENTS:

The increase of $2,380,582 in restricted cash is due to the annual renewal of the closure bond with the Peruvian Ministry of Energy and Mines issued on February 3, 2022, requiring a 30% cash collateral (see Note 16).

	December 31, 2022	December 31, 2021
	$	$
Cash and cash equivalents	992,301	9,981,779
Cash and cash equivalent - restricted	4,462,271	2,081,689
	5,454,572	**12,063,468**

10. INVENTORIES:

The amount of inventories recognized as expenses during the year corresponds to the cost of sales presented in the consolidated statement of comprehensive loss. A summary of the inventory's components can be detailed as follows:

	December 31 2022	December 31 2021
	$	$
Finished products	283,424	307,212
Stockpile	9,654	136,661
Supplies	2,254,839	1,893,461
	2,547,917	**2,337,334**

11. OTHER RECEIVABLES:

	December 31 2022	December 31 2021
	$	$
Sales tax receivable (Corporate)	25,546	43,481
Sales tax receivable (Santander)	2,306,693	-
Other receivables	124,257	797,755
	2,456,496	**841,236**

12. PREPAID EXPENSES

	December 31 2022	December 31 2021
	$	$
Prepaid taxes	362,226	469,865
Advances	144,078	152,501
Other prepaid expenses	688,598	38,521
	1,194,902	**660,887**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

13. PROPERTY, PLANT AND EQUIPMENT:

The movement of this item and its accumulated depreciation for the years ended December 31, 2022 and 2021 is as follows:

Cost	Balance as of December 31, 2021	Additions	Write-off/ Adjustments	Transfers/ Transfer from Exploration and Evaluation Assets	Exchange	Balance as of December 31, 2022
Buildings	7,442,995	2,203	-	-	-	**7,445,198**
Mining Unit	40,068,440	-	(712,267)	-	-	**39,356,173**
Plant	17,053,998	33,975	-	49,000	-	**17,136,973**
Facilities	7,277,202	38,763	-	-	-	**7,315,965**
Miscellaneous equipment	2,497,445	-	-	-	-	**2,497,445**
Computer equipment	127,264	3,840	(1,442)	-	(653)	**129,009**
Software	8,670	-	-	-	(141)	**8,529**
Communication equipment	162,830	3,326	-	-	-	**166,156**
Furniture and Fixtures	262,337	1,133	-	-	(852)	**262,618**
Development costs	63,547	-	-	3,803,534	-	**3,867,081**
Work in progress	692,743	2,316,562	-	(49,000)	-	**2,960,305**
	75,657,471	**2,399,802**	**(713,709)**	**3,803,534**	**(1,646)**	**81,145,452**

Accumulated Depreciation and Amortization	Balance as of December 31, 2021	Depreciation and Amortization	Write-off	Transfers/ Transfer from Exploration and Evaluation Assets	Exchange	Balance as of December 31, 2022
Buildings	(5,971,089)	(619,311)	-	-	-	**(6,590,400)**
Mining Unit	(37,923,908)	(924,383)	-	-	-	**(38,848,291)**
Plant	(16,319,072)	(131,570)	-	-	-	**(16,450,642)**
Facilities	(6,948,610)	(69,865)	-	-	-	**(7,018,475)**
Miscellaneous equipment	(2,073,464)	(130,514)	-	-	-	**(2,203,978)**
Computer equipment	(116,787)	(5,173)	2,315	-	628	**(119,017)**
Software	(3,270)	(961)	-	-	133	**(4,098)**
Communication equipment	(161,118)	(1,398)	-	-	-	**(162,516)**
Furniture and fixtures	(235,296)	(4,330)	-	-	(4)	**(239,630)**
Development costs	-	-	-	(422,827)	-	**(422,827)**
	(69,752,614)	**(1,887,505)**	**2,315**	**(422,827)**	**757**	**(72,059,874)**
Net carrying value	**5,904,857**	**512,297**	**(711,394)**	**3,380,707**	**(889)**	**9,085,578**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

Cost	Balance as of December 31, 2020	Business Acquisition	Additions	Write-off/ Adjustments	Transfers from Exploration and Evaluation Assets	Exchange	Balance as of December 31, 2021
Buildings	15,108	7,420,885	7,002	-	-	-	7,442,995
Mining Unit	-	39,765,494	302,946	-	-	-	40,068,440
Plant	-	17,053,998	-	-	-	-	17,053,998
Facilities	-	7,292,293	-	(15,091)	-	-	7,277,202
Miscellaneous equipment	-	2,326,409	190,151	(19,115)	-	-	2,497,445
Computer equipment	17,888	108,932	412	-	-	32	127,264
Software	8,662	-	-	-	-	8	8,670
Communication equipment	-	162,830	-	-	-	-	162,830
Furniture and fixtures	30,442	224,846	7,005	-	-	44	262,337
Development costs	-	-	-	-	63,547	-	63,547
Work in progress	-	585,545	107,198	-	-	-	692,743
	72,100	**74,941,232**	**507,516**	**(34,206)**	**63,547**	**84**	**75,657,471**

Accumulated Depreciation and Amortization	Balance as of December 31, 2020	Business Acquisition	Depreciation and Amortization	Write-off	Transfers from Exploration and Evaluation Assets	Exchange	Balance as of December 31, 2021
Buildings	(9,541)	(5,955,981)	(5,567)	-	-	-	(5,971,089)
Mining Unit	-	(37,894,655)	(29,253)	-	-	-	(37,923,908)
Plant	-	(16,307,418)	(11,654)	-	-	-	(16,319,072)
Facilities	-	(6,935,380)	(28,321)	15,091	-	-	(6,948,610)
Miscellaneous equipment	-	(1,999,975)	(92,604)	19,115	-	-	(2,073,464)
Computer equipment	(9,120)	(105,585)	(2,056)	-	-	(25)	(116,786)
Software	(2,311)	-	(955)	-	-	(4)	(3,270)
Communication equipment	-	(161,036)	(82)	-	-	-	(161,118)
Furniture and Fixtures	(9,934)	(221,233)	(4,105)	-	-	(25)	(235,297)
	(30,906)	**(69,581,263)**	**(174,597)**	**34,206**	**-**	**(54)**	**(69,752,614)**
Net carrying value	**41,194**	**5,359,969**	**332,919**	**-**	**63,547**	**30**	**5,904,857**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

14. MINING PROPERTIES, EXPLORATION AND EVALUATION ASSETS:

Mining properties, Exploration and Evaluation assets by properties are detailed as follows:

	December 31, 2021	Additions	Adjustments**	Transfers to Property, Plant, and Equipment	December 31, 2022
	$	$	$	$	$
Quiulacocha Tailings and Excelsior Stockpile					
Mining properties	1,262,104	-	(30,380)	-	1,231,724
Exploration and evaluation	144,111	-	-	-	144,111
Santander					
Exploration and evaluation	5,245,338	5,470,202	-	(3,380,707)	7,334,833
	6,651,553	**5,470,202**	**(30,380)**	**(3,380,707)**	**8,710,668**

	December 31, 2020	Business Acquisition	Additions	Transfers to Property, Plant, and Equipment	December 31, 2021
	$	$	$	$	$
Quiulacocha Tailings and Excelsior Stockpile					
Mining properties	1,070,098	-	192,006	-	1,262,104
Exploration and evaluation	144,111	-	-	-	144,111
Santander					
Exploration and evaluation	-	5,203,662	105,223	(63,547)	5,245,338
	1,214,209	**5,203,662**	**297,229**	**(63,547)**	**6,651,553**

**Adjustment of mining property due to addendum signed with the Quiulacocha Community to decrease medical attention in dentistry and ophthalmology.

Quiulacocha Tailings and Excelsior Stockpile, Cerro de Pasco, Peru:

CDPR's owns a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Cerro de Pasco, Peru("Quiulacocha"). Quiulacocha consists of Tailings, stockpiles and metal slag generated by legacy mining operations at the Cerro de Pasco Mine (Pb-Zn-Ag-Cu-Au) located 310 km from Lima, in east-central Peru.

Quiulacocha is subject to a 2.0% Net Smelter Return ("NSR") on production. The total 2% may be purchased by the Company as per the following deadlines and payments:

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

Santander, Cerro de Pasco, Peru:

CDPR's owns a 100% interest in Santander Pipe Mine, located in Cerro de Pasco, Peru ("Santander"). Santander consists of tailings, stockpiles and metal slag generated by legacy mining operations at the Cerro de Pasco Mine (Pb-Zn-Ag-Cu) located approximately 215 km east-northeast of Lima, in east-northeast Peru.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

15. 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:

	December 31, 2022	December 31, 2021
	$	$
Trade accounts payable and accrued liabilities:		
Related parties	37,932	-
Factored payables	5,101,411	-
Income and mining taxes	52,818	278,645
Trade accounts payable	20,754,212	11,396,786
Accrued payroll and benefits	2,026,615	1,660,731
Accrued royalties payable	90,766	409,592
Profit sharing accrual	-	351,287
Trade association	21,363	18,173
Other payables and accrued expenses	1,010,879	836,359
	29,095,996	**14,951,573**

16. PROVISION FOR REMEDIATION AND MINE CLOSURE:

At December 31, the movement is as follows:

	December 31 2022	December 31 2021
	$	$
Opening Balance	14,713,715	-
Business acquisition	-	15,021,013
Accretion expense	187,211	3,978
Variation due to change in key assumptions used	(578,767)	(311,276)
Payments	(123,022)	-
	14,199,137	**14,713,715**
Current portion	**307,752**	**903,017**
Non-current portion	**13,891,385**	**13,810,698**

The Company must comply with environmental regulations in the development of all its activities, in all the jurisdictions in which it operates. It also includes the obligation, at the close of its operations, to remediate the disturbed areas where it has carried out its activities and over which it maintains mining title.

The Company is not aware of any negative effects on the environment arising from any of its properties that may give rise to significant obligations to third parties.

Environmental legislation has regulated the obligation to assume the costs and expenses associated with the closure obligation and, remediation of operations at the time of the conclusion of their activities, which results in financial planning to reduce the impact that these expenses and future costs could bring to the Company. In addition to legislative measures by which the Company must guarantee the necessary funds to carry out the remediation activities.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

The main assumptions used by the Company to calculate the provision are summarized below:

	December 31 2022	December 31 2021
	$	$
Estimated costs	14,403,000	14,714,000
Useful life of mine (years)	4	4
Claim period (years)	9	9
Discount rate (risk-free rates)	1.44%	1.26%
Inflation rate	8.20% and 3.00%	6.20%

During the year ended December 31, 2021, in compliance with the provisions of the Regulations for the Closure of Mines approved by Supreme Decree No. 033-2005-EM, the Company's had letters of guarantee issued in favor of the Peruvian Ministry of Energy and Mines for $11,516,713. In February 2022, the Company increased the guarantee to $14,913,975.

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

17. PROMISSORY NOTE:

On November 26, 2021, the Company entered into a promissory note agreement with Alpha Capital Anstalt for CAD $1,500,000 ($1,183,200) which bears interest at 4.5% annually until the maturity date of May 26, 2022. The Company also issued 3,000,000 warrants to the noteholder. The initial fair value of the note of CAD $1,324,086 ($1,044,439) was determined using an effective interest rate of 30%. The residual value of CAD $175,914 ($137,282) was attributed to the warrants. The Company incurred transactions costs of CAD $32,641 ($25,747).

The promissory note with Alpha Capital Anstalt was amended on October 7, 2022 with a remaining principal balance of CAD $1,200,000 ($879,720), which bears interest at an increased interest rate of 10% per annum until the new maturity date of the sooner of April 3, 2023, or upon the receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit. Under the terms of the Amending Agreement, the Company shall use 25% of all capital raises to pay down the amounts owed on the Note. On November 4, 2022, the Company repaid CA$20,000 reducing the principal amount due to CA$1,180,000 ($865,058). The Company also granted up to 2,400,000 warrants at an exercise price of $0.25 CAD per unit, awarded in monthly installments of 400,000 warrants, until payment of the note is completed. The warrants were valued at CAD $128,880 ($95,010) and accreted over the life of the remaining maturity. The effective interest rate on the value of the warrant was determined to be about 39%.

The warrants were valued using the Black-Scholes pricing model with the following inputs: Share price of $0.14 CAD, risk-free interest rate of 3.87%, expected life of 3 years, and expected volatility of 81%. The expected volatility used was determined using historical price volatility for the Company.

18. LOANS AND LINE OF CREDIT

Loans

	December 31 2022	December 31 2021
	$	$
Reactiva Peru Loan Program (a)	672,095	1,910,782
Canada Emergency Business Account (b)	27,358	27,371
	699,453	**1,938,153**
Current portion	699,453	1,296,513
Non-current	-	641,640

(a) In the framework of the Reactiva Perú Program approved by the Peruvian Government and as a way to extend its working capital, the Company signed a long-term borrowing agreement dated May 25, 2020 with a Peruvian financial institution for a total principal of S/10,000,000 (approximately $2,278,755) at an annual interest rate of 1.62% in Peruvian soles, and coming due at 3 years, with a grace period. As part of the terms of this loan, the funds cannot be used: (i) to pay and/or pay in advance any past due or current financing before paying the loan; (ii) buy fixed assets, bonds, shares or make capital contributions; or (iii) distribute dividends or earnings during its term, except for the earnings to workers.

The difference between the opening carrying amount of the loan measured at fair value and the income received, has been considered as a government grant and was recognized as deferred income. This grant will be systematically recognized in profit or loss over the periods, deducting the financial expense arose from the loan for which the benefit of the grant is intended to offset.

(b) If $40,000 CAD ($31,836) of the $60,000 CAD ($47,754) loan is repaid by December 31, 2023, then loan forgiveness of $20,000 CAD ($15,918) will apply. If it is not repaid, the loan will bear interest at a rate of 5%. The full amount of the loan (principal and interest) is due and payable on December 31, 2025.

Line of Credit

During 2022, Cerro de Pasco Resources Inc. entered into a credit agreement with BBVA Bank. The Company has $2,000,000 to issue guarantee letters to its suppliers. BBVA charges an annual commission fee of 4.75%. As of the year ended December 31, 2022, $1,300,000 letters of credit were issued.

19. CONVERTIBLE DEBENTURE:

	December 31 2022	December 31 2021
	$	$
Convertible debenture		
Convertible debenture capital of $1,200,000, bearing interest at 10% payable annually and maturing on April 3, 2023	922,029	1,085,794
	922,029	**1,085,794**
Current portion of convertible debenture	922,029	1,085,794
Non-current portion of convertible debenture	-	-

On June 15, 2021, the Company refinanced their existing convertible debt with a face value of $1,500,000 CAD ($1,230,450) and 1,857,143 warrants were issued due June 18, 2022. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.50 CAD 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. The fair value of the components as at June 15, 2021 is $1,263,188 CAD ($1,036,193) for the debenture, $57,125 CAD ($48,860) for the embedded derivative on the convertible debenture, $108,830 CAD ($89,273) for the warrants and $58,800 CAD ($48,234) for the conversion option. The initial values of the warrants and the conversion option were determined using the Black & Sholes evaluation model based on the following assumptions: Share price of $0.33 CAD, exercise price of $0.50 CAD, risk-free interest rate of 0.33%, Expected life of 2 and 1 year and expected volatility of 56% and 47%. The expected volatility used was determined using the historical price volatility of the Company.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

On November 8, 2022, the lender agreed to extend the maturity date of the agreement to August 20, 2023. An additional 3,000,000 warrants at an exercise price of $0.25 CAD per unit, were issued on the amendment date. Per accounting guidance, this transaction was considered an extinguishment of the old debt with the change in fair value recognized through the P&L as a gain/loss on extinguishment in the amount of $100,124. The fair value as of November 8, 2022 of the amended agreement is CAD $1,453,123 ($1,081,124) (the "Principal Amount") in change for a reduction in the conversion price from CA$0.50 to CA$0.25 and a reduction of the percentage of the fee payable upon the repayment of the Principal on the maturity date from 10% to 9% of the Principal Amount. The warrants were valued using the Black-Scholes evaluation model based on the following assumptions: Share price of $0.15 CAD, exercise price of $0.25 CAD, risk-free interest rate of 4.14%, Expected life of 2 years and expected volatility of 83%. The expected volatility used was determined using historical price volatility for the Company.

20. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	Lease Liabilities	Promissory Note	Loan	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
Balance as at December 31, 2021	-	1,047,672	1,938,153	1,085,794	52,081	29,593	4,153,293
Cash flows:							
Proceeds	-	-	-	-	-	-	-
Repayment	-	(246,272)	(1,238,687)	(230,880)	-	-	(1,715,839)
Transaction costs	-	-	-	-	-	-	-
Exchange	-	(46,973)	(1,972)	(69,886)	(1,145)	(651)	(120,627)
Non-cash							
Effective interest on loan	-	159,302	1,959	237,125	-	-	398,386
Value of warrants	-	(95,010)	-	-	-	-	(95,010)
Gain on extinguishment of convertible debenture	-	-	-	(100,124)	-	-	(100,124)
Reclassification to equity upon extinguishment of convertible debenture	-	-	-	-	(50,936)	-	(50,936)
Change in fair value	-	-	-	-	-	(28,942)	(28,942)
Balance at December 31, 2022	-	818,719	699,453	922,029	-	-	2,440,201

	Lease Liabilities	Promissory Note	Loan	Convertible debentures	Embedded derivative on convertible debenture	Warrants	Total
Balance as at December 31, 2020	41,479	-	17,790	637,831	30,168	78,868	806,136
Cash flows:							
Proceeds	-	1,196,400	7,976	398,800	-	-	1,603,176
Repayment	(41,479)	-	-	-	-	-	(41,479)
Transaction costs	-	(26,034)		-	-	-	(26,034)
Exchange	-	(15,777)	15,147	57,212	645	6,135	63,362
Non-cash							
Effective interest on loan	-	30,365	1,675	173,933	-	-	205,973
Conversion option	-	-	-	(48,234)	-	-	(48,234)
Business acquisition	-	-	1,895,565	-	-	-	1,895,565
Fair value - initial	-	-	-	(125,445)	43,181	82,265	-
Value of warrants	-	(137,282)	-	-	-	-	(137,282)
Gain on convertible debenture financing	-	-	-	(8,303)	-	-	(8,303)
Change in fair value	-	-	-	-	(21,913)	(137,675)	(159,588)
Balance at December 31, 2021	-	1,047,672	1,938,153	1,085,794	52,081	29,593	4,153,292

21. SHARE CAPITAL AND WARRANTS:

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

Issued and outstanding:

As at December 31, 2022 the Company had 287,890,934 issued and outstanding common shares (December 31, 2021 – 287,044,280)

Transactions during the year ended December 31, 2022:

On January 24, 2022, the Company issued to a service provider 60,000 common shares valued at $11,852 for business development consultancy and consulting fees.

On February 9, 2022, the Company extended the terms of 2,343,500 common share purchase warrants pursuant to private placement offerings between February 28, 2020 and March 6, 2020 which entitled its holder to purchase one common share at an exercise price is $0.65 CAD for a period of two years to February 28, 2023 and reduced the exercise price of $0.50 CAD, except for 53,150 warrants held by insiders of the Corporation which remained at an exercise price of $0.65 CAD.

On February 9, 2022, extended the terms of 10,184,588 common share purchase warrants pursuant to private placement offerings between June 15, 2020, June 16, 2020, July 2, 2020, August 21, 2020 and August 28, 2020 which entitled its holder to purchase one common share of the Corporation at an exercise price is $0.50 CAD for a period of two years to February 28, 2023.

On February 17, 2022, the Company issued to two service providers a total of 30,000 common shares valued at $5,908 for business development consultancy and consulting fees.

On March 28, 2022, the Company issued to a service provider 342,857 common shares valued at $68,348 to the CEO of H2 Sphere as compensation for services under an employment agreement dated January 1, 2022. In addition, the Company issued under this employment agreement options to purchase an aggregate of 700,000 common shares of its capital stock, at $0.40 per share, for a period of five years, as long as he remains employed by H2 Sphere.

On March 28, 2022, the Company issued to a service provider 303,797 common shares valued at $60,562 as a senior advisor of H2 Sphere for business development consultancy and consulting fees. In addition, the Company issued under this consultancy agreement dated January 1, 2022, options to purchase an aggregate of 340,000 common shares of its capital stock, at $0.40 CAD per share, for a period of five years, as long as he remains employed by H2 Sphere.

On May 17, 2022 the Company issued to two service providers a total of 30,000 common shares valued at $4,792 for business development consultancy and consulting fees.

On September 29, 2022, the Company issued to two service providers a total of 40,000 common shares valued at $3,648 for business development consultancy and consulting fees.

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

Transactions during the year ended December 31, 2021:

On January 7, 2021, the Company issued to service providers 50,000 common shares valued at $14,953 for business development consultancy and consulting fees.

On February 22, 2021, the Company issued to service providers 30,000 common shares valued at $9,038 for business development consultancy and consulting fees.

On April 5, 2021, the Company issued to service providers 50,000 common shares valued at $13,573 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 CAD per unit for net proceeds of $879,781 after deducting share issuance costs of $64,878. A finder's fee of approximately $64,179 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 CAD 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 $73,714 based on the Black- Scholes option pricing model.

On April 22, 2021, the Company concluded a private placement by issuing 3,022,128 units at a price of $0.35 CAD per unit for net proceeds of $796,988 after deducting share issuance costs of $49,208. A commission of $16,170 and a finder's fee of $32,312 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 CAD 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 $67,689 based on the Black-Scholes option pricing model.

On April 30, 2021, the Company concluded a private placement by issuing 1,064,429 units at a price of $0.35 CAD per unit for net proceeds of $290,700 after deducting share issuance costs of $12,556. A finder's fee of approximately $11,468 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 CAD 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 $25,093 based on the Black- Scholes option pricing model.

On May 26, 2021, the Company issued to service providers 30,000 common shares valued at $9,290 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 CAD per unit for net proceeds of $294,591 after deducting share issuance costs of $20,829. A finder's fee of approximately $20,232 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 CAD 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 $30,308 based on the Black- Scholes option pricing model.

On July 12, 2021, the Company issued to service providers 50,000 common shares valued at $11,628 for business development consultancy and consulting fees.

On August 19, 2021, the Company issued to service providers 30,000 common shares valued at $6,215 for business development consultancy and consulting fees.

On November 18, 2021, the Company issued 30,000 common shares valued at $6,896 for business development consultancy and consulting fees.

On December 3, 2021, the Company issued 10,000,000 common shares valued at $1,627,100 for the acquisition of a mining company.

On December 20, 2021, the Company issued 1,571,429 units as finder's fee related to the acquisition of a mining company of $424,985. Each unit consists of one common share and one-half warrant for a total of 1,571,429 common shares and 785,714 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 CAD until December 20, 2023. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $27,294 based on the Black- Scholes option pricing model.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

Warrants:

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

		December 31, 2022		December 31, 2021	
	Number of warrants granted	**Number of outstanding warrants**	**Weighted average exercise price (CAD) $**	**Number of outstanding warrants**	**Weighted average exercise price (CAD) $**
Outstanding at beginning	22,741,432	22,741,432	0.52	14,672,441	0.53
Granted	6,200,000	6,200,000	0.33	9,926,134	0.50
Expired / Cancelled	(287,210)	(287,210)	0.40	(1,857,1430)	0.60
Outstanding at end	**28,654,222**	**28,654,222**	**0.46**	**22,741,432**	**0.52**

The following table provides outstanding warrants information as at December 31, 2022:

Expiry date	**Number of outstanding warrants**	**Exercise Price (CAD) $**	**Remaining life (years)**
February 28, 2023	12,474,938	0.50	0.2
February 28, 2023	53,150	0.65	0.2
April 8, 2023	1,697,500	0.50	0.3
April 22, 2023	1,511,063	0.50	0.3
April 30, 2023	532,214	0.50	0.3
May 27, 2023	542,500	0.50	0.4
June 15, 2023	1,857,143	0.50	0.5
December 20, 2023	785,714	0.50	1.0
November 26, 2024	3,000,000	0.50	1.9
July 18, 2025	500,000	0.50	2.5
July 26, 2025	500,000	0.50	2.6
August 26, 2025	500,000	0.50	2.7
September 26, 2025	500,000	0.50	2.7
October 26, 2025	400,000	0.25	2.8
November 8, 2025	3,000,000	0.25	1.9
November 26, 2025	400,000	0.25	2.9
December 22, 2025	400,000	0.25	3.0
	28,654,222	0.46	0.9

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

The following table provides outstanding warrants information as at December 31, 2021:

Expiry date	**Number of outstanding warrants**	**Exercise Price (CAD)**	**Remaining life**
		$	**(years)**
February 28, 2022	1,300,210	0.65	0.2
March 6, 2022	1,080,500	0.50	0.2
June 15, 2022	3,711,090	0.45	0.5
June 16, 2022	200,000	0.50	0.5
July 2, 2022	1,812,034	0.50	0.5
August 21, 2022	1,128,130	0.50	0.6
August 28, 2022	3,333,334	0.50	0.7
August 28, 2022	250,000	0.37	0.7
April 8, 2023	1,697,500	0.50	1.3
April 22, 2023	1,511,063	0.50	1.3
April 30, 2023	532,214	0.50	1.3
May 27, 2023	542,500	0.50	1.4
June 15, 2023	1,857,143	0.50	1.5
December 20, 2023	785,714	0.50	2.0
November 26, 2025	3,000,000	0.50	2.9
	22,741,432	0.52	1.1

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

	December 31, 2022	**December 31, 2021**
	$	**$**
Weighted average fair value of warrants granted	CAD $0.05 ($0.04)	CAD $0.05 ($0.04)

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:

	December 31, 2022	**December 31, 2021**
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	CAD $0.15	CAD $0.34
Weighted average expected volatility (1)	80.78%	53.96%
Weighted average risk-free interest rate	3.85%	0.29%
Weighted average exercise price at grant date	CAD $0.33	CAD $0.50
Weighted average expected life	2.0 years	2.0 years

(1) The volatility was determined as per an average of the historical data volatility of the Company.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

22. SHARE-BASED COMPENSATION:

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.

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

	December 31, 2022		December 31, 2021	
	Number of outstanding share options	**Weighted average exercise price (CAD)**	**Number of outstanding share options**	**Weighted average exercise price (CAD)**
		$		**$**
Outstanding at beginning	10,595,000	0.40	10,368,500	0.40
Granted	1,040,000	0.40	600,000	0.43
Forfeited	(480,000)	0.40	(373,500)	0.40
Outstanding at end	**11,155,000**	**0.40**	**10,595,000**	**0.40**
Exercisable at end	**11,155,000**	**0.40**	**10,595,000**	**0.40**

The following table provides outstanding share options information as at December 31, 2022:

Expiry date	**Number of granted share options**	**Number of exercisable share options**	**Exercise Price (CAD)**	**Remaining life**
			$	**(years)**
March 10, 2023	200,000	200,000	0.40	0.2
August 19, 2023	200,000	200,000	0.40	0.6
August 28, 2023	200,000	200,000	0.40	0.7
March 7, 2024	5,300,000	5,300,000	0.40	1.2
March 29, 2024	50,000	50,000	0.40	1.2
May 6, 2024	200,000	200,000	0.50	1.3
September 16, 2024	200,000	200,000	0.40	1.7
August 28, 2025	3,765,000	3,765,000	0.40	2.7
March 2, 2027	1,040,000	1,040,000	0.40	4.2
	11,155,000	**11,155,000**	**0.40**	**1.95**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

The following table provides outstanding share options information as at December 31, 2021:

Expiry date	Number of granted share options	Number of exercisable share options	Exercise Price (CAD)	Remaining life
			$	(years)
March 10, 2023	200,000	200,000	0.40	1.2
August 19, 2023	200,000	200,000	0.40	1.6
August 28, 2023	200,000	200,000	0.40	1.7
March 7, 2024	5,300,000	5,300,000	0.40	2.2
March 29, 2024	50,000	50,000	0.40	2.2
May 6, 2024	200,000	200,000	0.50	2.3
September 16, 2024	200,000	200,000	0.40	2.8
August 28, 2025	4,245,000	4,245,000	0.40	2.8
	10,595,000	**10,595,000**	**0.40**	**2.8**

2022:

On March 2, 2022, the Company granted 1,040,000 share options to consultants at an exercise price of $0.40 CAD per share, expiring on March 2, 2027. Each share option entitles the holder to acquire one common share. The fair value of the options was estimated at $0.10 per share option at the grant date for a total of $106,726 using the Black-Scholes option pricing model.

2021:

On March 10, 2021, the Company granted 200,000 share options to consultants at an exercise price of $0.40 CAD 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 $0.07 per share option at the grant date for a total of $14,560 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 CAD 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 CAD per share option at the grant date for a total of $23,820 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 CAD 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 $0.08 per share option at the grant date for a total of $16,332 using the Black-Scholes option pricing model.

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

	December 31, 2022	December 31, 2021
	$	$
Weighted average fair value of share options granted	CAD $0.13 ($0.10)	CAD $0.11 ($0.09)

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

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:

	December 31, 2022	**December 31, 2021**
Weighted average expected dividend yield	0%	0%
Weighted average share price at grant date	CAD $0.25	CAD $0.36
Weighted average expected volatility (1)	73.35%	59.82%
Weighted average risk-free interest rate	1.73%	0.43%
Weighted average exercise price at grant date	CAD $0.40	CAD $0.43
Weighted average expected life	5.0 years	2.7 years

(1) The volatility was determined as per an average of the historical data volatility of the Company.

23. INFORMATION REGARDING STATEMENTS OF COMPREHENSIVE LOSS

(a) Sales

Sales for the years ended December 31, 2022 and 2021 comprise:

	December 31, 2022	**December 31, 2021**
	$	**$**
Lead and silver concentrates	3,138,313	928,836
Zinc concentrates	37,452,984	6,191,930
	40,591,297	**7,120,766**

All sales are made to one customer in Peru – See Note 31 credit risk.

(b) Expenses recognized for employee benefits (not attributable to cost of sales) are analyzed below:

	December 31, 2022	**December 31, 2021**
	$	**$**
Wages and salaries	5,401,237	2,035,445
Director's fees and salaries	684,830	109,188
Share-based compensation	106,726	54,364
	6,192,793	**2,198,997**

(c) General and administrative expenses by nature:

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

	December 31, 2022	**December 31, 2021**
	$	**$**

General and administrative expenses:		
Salaries and employee benefit expense	2,864,993	1,363,573
Management and consulting fees	1,607,009	1,018,987
Professional fees	771,751	366,533
Business development	427,853	319,957
Rent and office expenses	271,044	151,101
Insurance expenses	552,440	106,642
Registration, listing fees, and shareholders information	87,739	79,373
Project implementation cost	135,697	105,981
Share-based compensation	106,726	54,364
Depreciation of right-of-use assets	-	32,600
Depreciation of property and equipment	307,455	40,528
Other general and administrative expenses	199,951	138,347
	7,332,658	**3,777,986**

(d) Finance expenses:

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

	December 31, 2022	**December 31, 2021**
	$	**$**
Fines, penalties, bank charges, and other expenses	14,062	11,391
Factoring expenses	129,795	-
Insurance	150,179	
General sales taxes and other expenses	114,993	
Interest on lease liabilities	-	960
Interest on promissory note	161,038	5,165
Interest on loan	68,828	56,298
Convertible debenture issuance costs	-	50,078
Interest on convertible debenture	176,576	101,779
Presumed interest on convertible debenture	123,897	178,966
Presumed interest on loans	1,959	3,406
Presumed interest on promissory note	159,302	25,332
Presumed interest on mine closure provision	188,090	4,525
	1,288,719	**437,900**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

24. RELATED PARTY TRANSACTIONS:

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

	December 31, 2022	December 31, 2021
	$	$
Management and consulting fees	2,542,413	1,062,742
Salaries and director's fees	684,830	109,188
	3,227,243	**1,171,930**

These transactions, entered into in 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.

25. SEGMENT REPORTING:

The Company presents and discloses segment information based on information that is regularly reviewed by the chief operating decision- maker, i.e. the President, the Chief Executive Officer and the Board of Directors for business activities from which it may earn revenues and/or incur expenses from which discrete financial information is available.

During the years ending December 31, 2022 and 2021, the Company has determined that it has three major segments:

1) mining production of Santander;

2) exploration, evaluation, and development; and

3) Corporate Management evaluates segment performance based on segment operating income (loss).

Significant information relating to the Corporation's reportable operating segments is summarized in the tables below: All sales are from a client in Peru.

Year ended December 31, 2022 and 2021		**Sales**	**Cost of Sales**	**Operating Expenses**	**Other expenses (revenues)**	**Income and mining taxes**	**Net Loss**
		$	$	$	$	$	$
Production (Santander)	**2022**	40,591,297	41,827,007	6,635,370	279,284	2,216,422	(10,366,786)
	2021	7,120,766	4,534,445	369,196	27,374	642,493	1,547,258
Exploration, evaluation, and development	**2022**	-	-	2,432,775	142,745	-	(2,575,520)
(Quiulacocho and Excelsior)	2021	-	-	1,888,352	(41,037)	-	(1,847,315)
Corporate (Canada and other)	**2022**	-	-	3,165,786	2,501,251	-	(5,667,037)
	2021	-	-	2,204,430	(402,483)	-	(1,801,947)
Consolidated	**2022**	**40,591,297**	**41,827,007**	**12,233,931**	**2,923,280**	**2,216,422**	**(18,609,343)**
	2021	7,120,766	4,534,445	4,461,978	(416,146)	642,493	(2,102,004)

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

			December 31, 2022
	Total non-current assets	Total assets	Total liabilties
	$	$	$
Production (Santander)	16,385,869	34,170,982	43,484,261
Exploration, evaluation, and development (Quiulacocha and Excelsior)	1,410,377	1,427,894	1,345,245
Corporate (Canada and other)	-	278,902	6,842,279
Total per consolidated statement of financial position	17,796,246	35,877,778	51,671,785

			December 31, 2021
	Total non-current assets	Total assets	Total liabilties
	$	$	$
Production (Santander)	12,103,177	36,373,185	32,300,512
Exploration, evaluation, and development (Quiulacocha and Excelsior)	1,445,202	1,692,351	1,497,114
Corporate (Canada and other)	4,094	286,085	2,850,641
Total per consolidated statement of financial position	13,552,473	38,351,621	36,648,267

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

26. INCOME TAXES

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

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

	December 31, 2022	December 31, 2021
	$	$
Loss before income taxes	(16,392,920)	(1,459,511)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada	26.50%	26.50%
Expected income tax recovery	(4,344,124)	(396,770)
Changes in unrecorded temporary difference	(3,811,522)	1,029,446
Difference in tax rates of the foreign subsidiary	199,254	64,964
Gain on bargain purchase	-	(148,698)
Non-deductible change in fair value (non-taxable)	528,882	-
Mining tax	501,310	-
Accrual for prior period tax adjustments	1,715,112	-
Share-based compensation and other non-deductible expenses	89,773	156,925
Other	(285,307)	(73,374)
Income tax expense	2,216,422	642,493
Income tax expense	2,216,422	81,370
Deferred income tax expense	-	561,123
Income tax expense	2,216,422	642,493

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

	December 31, 2022	December 31, 2021
	$	$
Inception and reversal temporary differences	(4,010,776	(533,287)
Difference in tax rates of the foreign subsidiary	199,254	64,964
Changes in unrecorded temporary differences	3,811,522	1,029,446
Deferred income tax expense	-	561,123

(c) Movement in recognized deferred tax assets and liabilities during the year:

	December 31, 2021	Recognized in profit or loss	Acquisition of a mining company	Foreign exchange	December 31, 2022
	$	$	$	$	$
Accounts receivable	67,338	(66,686)	-	-	652
Inventories	58,535	117,540	-	-	176,075
Property and equipment	98,248	1,527,033	-	-	1,625,281
Exploration and evaluation assets	(831,553)	(1,568,665)	-	-	(2,400,217)
Trade accounts payables and other liabilities	554,434	(9,524)	-	-	544,909
Non-capital losses	18,280	(69,437)	-	-	51,157
Convertible debenture	(18,280)	69,437	-	-	(51,157)
	(53,301)	-	-	-	(53,301)

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

	December 31, 2020	Recognized in profit or loss	Acquisition of a mining company	Foreign exchange	December 31, 2021
	$	$	$	$	$
Accounts receivable	-	(148,621)	215,959	-	67,338
Inventories	-	138,784	(80,249)	-	58,535
Property and equipment	(10,828)	109,076	-	-	98,248
Exploration and evaluation assets	(42,473)	(38,348	(750,731)	-	(831,552)
Trade accounts payables and other liabilities	-	320,246	232,991	893	554,130
Non-capital losses	11,456	(935,436)	942,260	-	18,280
Convertible debenture	(11,456)	(6,824)	-	-	(18,280)
	(53,301)	(545,651)	560,230	893	(53,301)

(d) Unrecognized deductible temporary differences:

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

	December 31, 2022				December 31, 2021			
	Federal	Quebec	Germany	Peru	Federal	Quebec	Germany	Peru
	$	$	$	$	$	$	$	$
Property and equipment	162,206	162,206	-	18,266,895	158,397	158,397	-	23,719,958
Marketable securities	43,812	43,812	-	-	19,988	19,988	-	-
Share issuance costs	174,566	174,566	-	-	128,555	128,555	-	-
Reserves and allowances:	-	-	-	51,318	-	-	-	51,318
Trade accounts payables and other liabilities	-	-	-	-	141,175	141,175	-	-
Promissory note and loans	193,044	-	-	-	52,081	52,081	-	-
Derivative	-	-	-	-	-	-	-	-
Non-capital losses carryforwards	9,889,331	9,908,604	253,328	17,780,487	5,177,954	5,624,304	-	5,459,910
	10,462,958	10,289,188	253,328	36,098,700	5,678,150	500,196	-	29,231,186

The ability to realize tax benefits is dependent upon a number of factors. Deferred tax assets are recognized only to the extent that is probable that sufficient profits will be available to allow the asset to be recovered. As at December 31, 2022, deferred tax assets totaling $13,499,382 ($12,158,128 in 2021) have not been recognized.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

(e) Non-capital losses:

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

	Federal	Quebec	Germany	Peru
	$	$	$	$
2038	205,870	260,213	-	-
2039	1,476,822	1,878,204	-	-
2040	2,672,151	2,687,038	-	-
2041	2,035,476	2,035,476	-	-
2042	3,499,0123	3,499,012	-	-
Unlimited (1)	-	-	253,328	17,780,487
	9,889,331	9,908,604	253,328	17,780,487

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

As at December 31, 2022, the Company also had a provision for past improper application of the Company's net losses of their subsidiary, Santander.

27. CASH FLOW DETAIL OF WORKING CAPITAL

	December 31, 2022	December 31, 2021
	$	$
Change in trade receivables	3,444,566	(9,011,817)
Change in other receivables	(1,800,113)	790,372
Change in inventories	(210,583)	298,191
Change in sales tax receivable	-	7,029
Change in prepaid expenses	(343,500)	(13,929)
Change in income and mining taxes receivable	-	(753,214)
Change in balance due payable	-	1,674,194
Change in contingent consideration payable	-	1,102,191
Change in trade accounts payable and accrued liabilities	14,195,979	(87,269)
Change in restricted cash	(2,380,582)	-
Change in provisioning for rehabilitation and mine closure	(514,579)	-
Change in working capital items	**12,391,188**	**(5,994,252)**

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

28. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2022	December 31, 2021
Non-cash investing activities		
Acquisiton of a mining company with common stock	-	1,627,100
Acquisition of a mining company with contingent consideration	-	1,117,173
Acquisition of a mining company payable	-	1,696,951

29. 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:

The fair value of cash and cash equivalents, cash and cash equivalents - restricted, accounts receivable, short-term investments, other receivables, trade accounts payable and other liabilities, promissory note and balance of purchase price payable 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 $55,257 as at December 31, 2022 ($82,008 as at December 31, 2021) and are determined by using the closing price for December 31, 2022 and December 31, 2021.

The fair values of the convertible debenture and the loan are $922,029 and $699,453 respectively as at December 31, 2022 ($1,085,794 and 1,938,153 as at December 31, 2021 for the convertible debenture and the loan) 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 at December 31, 2022 and 2021 is $0 and $52,081, respectively 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 at December 31, 2022 and 2021 are $0 and $29,593, respectively and are determined by using the Black- Scholes option pricing model.

The fair value of the contingent consideration is $2,493,844 and $1,102,191, for the years ended December 31, 2022 and 2021 based upon the acquisition terms of Santander which included repayment of $2.5 million twelve months after the closing contingent upon the average zinc price remaining above $1.30/lb. ($2,866/ton) during this period. The fair value as of December 31, 2022 was estimated by discounting the $2.5 million owed on January 9, 2023 back to December 31, 2022 using a discount rate equivalent to the Company's average borrowing rate of 10%. The fair value estimated of the contingent payment as of December 31, 2021 was estimated using the Digital/Binary Call Option Pricing Model where the payments are contingent upon achieving a future milestone with a binary payoff structure with the risk of earnout cash flow depending on the risk of the underlying metric and counterparty credit risk.

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.

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

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

			December 31, 2022
	Level 1	Level 2	Level 3
	$	$	$
Marketable securities			
Fair value through profit or loss (FVTPL)	55,257	-	-
Contingent consideration			
Fair value through profit or loss (FVTPL)	-	2,493,844	-
Convertible debenture			
Amotized cost	-	922,029	-
Loan			
Amotized cost	-	699,453	-

			December 31, 2021
	Level 1	Level 2	Level 3
	$	$	$
Marketable securities			
Fair value through profit or loss (FVTPL)	82,008	-	-
Contingent consideration			
Fair value through profit or loss (FVTPL)	-	1,102,191	-
Convertible debenture			
Amotized cost	-	1,085,794	-
Embedded derivative on convertible debenture			
Fair value through profit or loss (FVTPL)	-	52,081	-
Loan			
Amotized cost	-	1,938,153	-
Warrants			
Fair value through profit or loss (FVTPL)	-	29,593	-

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

30. 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 production of zinc and lead-silver concentrates located at the Santander mining operations as well as 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 and long-term debt. 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 adjusts 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.

Capital management policies and procedures:

	December 31, 2022	December 31, 2021
	$	$
Convertible debenture	922,029	1,085,794
Embedded derivative on convertible debenture	-	52,081
Loan	699,453	1,938,153
Warrants	-	29,593
Promissory note	818,719	1,047,672
Balance of purchase price payable	1,674,194	1,674,194
Contingent consideratoin	2,493,844	1,102,191
(Deficiency) Equity	(15,749,857)	1,703,354
	(9,141,618)	8,633,032

December 31, 2022 and 2021 (In US Dollars unless otherwise noted)

31. 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, foreign currency risk and metals pricing 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.

Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honor 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 accounts receivable and other receivable is considered mitigated since the sale of inventory is primarily to one customer with good credit and the expected credit losses for the other receivable are considered immaterial since the amount is guaranteed. The credit risk of 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.

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

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.

	Less than 1 year	1-5 years	More than 5 years	December 31, 2022 Total
Trade accounts payable and other liabilities	26,958,995	-	-	26,958,995
Convertible debenture	1,063,977	-	-	1,063,977
Promissory note	863,996	-	-	863,996
Loan	701,383	-	-	701,383
Balance of purchase payable	1,674,194	-	-	1,674,194
Contingent consideration payable	2,500,000	-	-	2,500,000

	Less than 1 year	1-5 years	More than 5 years	December 31, 2021 Total
	$	$	$	$
Trade accounts payable and other liabilities	11,557,114	-	-	11,557,114
Convertible debenture	1,180,350	-	-	1,180,350
Promissory note	944,280	-	-	944,280
Loan	1,296,513	673,116	-	1,969,629
Balance of purchase payable	1,674,194	-	-	1,674,194
Contingent consideration payable	2,500,000			2,500,000

Metals Pricing risk:

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which sells into global markets. The market prices are the key drivers of the Company's capacity to generate cash flow.

Foreign currency risk:

The Company operates in Canada, Peru, and Germany. 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 functional currency of one of the subsidiaries is the Euro. The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between US dollar and the Canadian dollar for the parent company and between Euro and US Dollar for the operations in Germany. The Company does not enter into arrangements to hedge its foreign exchange risk.

As at December 31, 2022 and 2021, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset (amounts in thousands):

Foreign currency risk:	**December 31, 2022**	**December 31, 2021**
Cash and cash equivalents	903	1,630
Other receivables	128	494
Trade accounts payable and other liabilities	(7,252)	(3,377)
Loans	(670)	(1,859)
Net exposure	(6,891)	(3,112)

Based on the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 10% depreciation or appreciation of the USD against the Soles would result in a change of $895 ($736 in 2021) in the Company's comprehensive loss and equity.

32. CONTINGENCY

On October 5, 2018, Genius Properties Ltd. completed an Asset Transfer Agreement pursuant to which the Company transferred to Genius Metals Inc. ("Genius Metals") the ownership of all mining rights and titles, a part of its trade accounts payable and other liabilities and the other liability related to flow-through shares estimated at $23,086. In consideration for such transfer, Genius Metals issued to the Company 9,797,970 Genius Metals common shares for a consideration of $2,685,007. The transfer was recorded at the carrying amount of the assets and liabilities transferred. Notwithstanding that the liabilities related to the flow-through shares were transferred to Genius Metals, the Company retains the ultimate responsibility for the tax liability related to this financing. Genius Metals would indemnify the Company for any such liability.

33. SUBSEQUENT EVENTS

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

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

On March 15, 2023, the Company re-negotiated their outstanding promissory note. The maturity date was extended to the sooner of: (i) December 31, 2023; or (ii) upon receipt of funding from the forward sale of zinc concentrate related to the Santander Pipe deposit; and they were taken out of default status. The interest rate was reduced to 10%.

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

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

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

The Company has not yet determined the impact of these transactions.