



# MANAGEMENT'S DISCUSSION & ANALYSIS



Three-month Period Ended March 31, 2023  
(First Quarter)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE-MONTH PERIOD ENDED MARCH 31, 2023

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This Management Discussion and Analysis ("MD&A") of Cerro de Pasco Resources Inc., ("Cerro de Pasco Resources" or "CDPR" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco Resources, on how the Company performed during the three-month period ended March 31, 2023. It includes a review of the Company's financial condition and review of operations for the three-month period and year ended December 31, 2023, as compared to the three-month period and year ended December 31, 2022.

This MD&A complements the condensed interim consolidated financial statements for the three-month period ended March 31, 2023, but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the condensed interim consolidated financial statements as at March 31, 2023 and related notes thereto as well as the audited annual consolidated financial statements, accompanying notes and Management's Discussion and Analysis for the year ended December 31, 2022.

The condensed interim consolidated financial statements for the three-month period ended March 31, 2023, and 2022 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at March 31, 2023. On May 29, 2023, the Audit Committee of the Board of Directors approved for issuance, the condensed interim consolidated financial statements for the three-month period ended March 31, 2023.

All figures are in United States Dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The shares of Cerro de Pasco Resources are listed on the Canadian Securities Exchange ("CSE") under the symbol "CDPR".

## REPORT'S DATE

The MD&A was prepared with the information available as at May 29, 2023.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Cerro de Pasco Resources, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

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### USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A refers to the following non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted EBIT, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC").

These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. CDPR uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. CDPR understands that certain investors, and others who follow the Company's performance, also assess performance in this way.

The Company believes that these metrics measure our performance and are useful indicators of our expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### EBITDA and EBIT

EBITDA provides insight into overall business performance. This measure assists readers in understanding the ongoing cash generating potential of the business including liquidity to fund working capital, service debt, and fund capital expenditures and investment opportunities. EBITDA is profit attributable to shareholders before net finance expense, income taxes and depreciation, depletion, and amortization. EBIT is EBITDA after depreciation, depletion, and amortization. Other companies may calculate EBIT and EBITDA differently.

### Adjusted EBITDA, Adjusted EBIT and Adjusted Earnings per Share

Adjusted EBITDA consists of EBITDA less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. Adjusted EBIT consists of EBIT less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. These expenses and recoveries are removed from the calculation of EBITDA and EBIT as the Company does not believe they are reflective of the Company's ability to generate liquidity and its core operating results.

Adjusted Earnings per Share consists of net income or loss in the period less the impact of impairments or reversals of impairment, settlement mark-to-market, fair value (gain) loss on financial instruments, (gain) loss on foreign exchange, restructuring expenses and other income or expenses.

### C1 Cash Cost

This measures the estimated cash cost to produce a pound of payable zinc. This measure includes mine operating production expenses such as mining, processing, administration, indirect charges (including surface maintenance and camp), and smelting, refining and freight, distribution, royalties, and by-product metal revenues divided by pounds of payable zinc produced. C1 Cash Cost per pound of payable zinc produced does not include depreciation, depletion, and amortization, reclamation expenses, capital sustaining and exploration expenses.

### AISC

This measures the estimated cash costs to produce a pound of payable zinc plus the estimated capital sustaining costs to maintain the mine and mill. This measure includes the C1 Cash Cost per pound and capital sustaining costs divided by pounds of payable zinc produced. All-In Sustaining Cost per pound of zinc payable produced does not include depreciation, depletion, and amortization, reclamation, and exploration expenses.

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### NATURE OF ACTIVITIES

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco Resources" or "CDPR") is a sustainable-oriented mining and resource management company sensitive to the most demanding environmental, social, governance and legal compliance required by global institutions and investors.

The Company has a multi-pronged strategy to leverage its unparalleled knowledge of the challenges and opportunities presented by the mineral endowment within the city of Cerro de Pasco.

#### ➤ **Santander Mine**

Cerro de Pasco Resources acquired the Santander mine in late 2021 and currently operates at the Magistral deposit processing 776ktpa at Zn, Pb and Ag recoveries of 94%, 57% and 36% into two concentrate streams of ~50% Zn and Pb each. The Company expects to produce for ~25kt payable ZnEq in 2023, lifting to more than 45ktpa once the Santander Pipe is accessed.

#### The Santander Advantage

The operating assets that Cerro de Pasco Resources owns at the Santander mine are held on the books for approximately \$9.1M having been discounted when the former operator looked to close down the operation. As the Company works to expand the mine life and resources at Santander, it will enjoy a significant production advantage due to the potential replacement value of its operating assets. The assets are in first-class condition and include a 2,500 tonne per day sulfide milling and flotation plant originally commissioned in 2013, as well as buildings, communications equipment, underground infrastructure, support facilities, furniture, fixtures and other equipment. Likewise, social licenses as well as operating permits are, for the most part, already in place for future brownfield expansions.

#### Santander Pipe Expansion

The Santander pipe expansion entails pre-production development and shaft dewatering as well as retrofitting the plant to produce either a copper or lead concentrate.

The Company recently announced the results of a PEA based on a five-year minimum plan processing 2,500tpd at an average grade of 4.7% Zn and 0.11% Cu for an initial capex spend of US\$52M.

The expansion project is expected to generate more than \$50M in cash over the LoM for a post-tax NPV of US\$31M and an IRR of 25%.

#### Consolidated Mine Plan

The Company's non-NI43-101 compliant budget plan includes the current resource at Magistral and all the known resources at the Santander Pipe (Main Pipe, Upper-zone, North Extension) and envisages mining 13Mt at 4.4% Zn producing 1.1Mt Zn, 15kt Pb and 49kt Cu of concentrate, representing ~560,000kt of payable ZnEq over 13 years at US\$ 1.00/lb AISC.

#### ➤ **Quiulacocha TSF & Excelsior Stockpile**

CDPR holds 100% of the Quiulacocha tailings facility, the Company's flagship project. An August 2012 historical resource outlined 7.4Mt @ 39g/t Ag, 0.78% Pb and 1.42% Zn for 27Moz AgEq in an area representing ~10% of the ~70Mt TSF. Based on in-situ values of US\$80/T, it is believed if nearby processing infrastructure can be secured that the potential asset valuation of the TSF could be in excess of US\$500m.

Recent advancements in the project include:

- Signing an agreement for processing material at Glencore's Volcan Cerro De Pasco complex nearby – Volcan's processing facilities at Cerro De Pasco, Paragsha & San Expedito, are permitted to process 17,500tpd.
- Glencore to advance the Company an unsecured \$2M loan to advance studies and drilling on the project.
- The Peruvian government listed the project as priority project for fast-tracking.

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- The Company signed agreement with the local community, extending the surface rights contract.

### ➤ H2 Sphere GmbH – Research and Development

As a complement to the planned sulfide processing operations at Cerro de Pasco, in 2021 CDPR formed H<sub>2</sub>-Sphere GMBH, a research and development company working in conjunction with the German Aerospace Center with the purpose of using mining waste as a feedstock for an exothermic production process to produce green hydrogen among other products.

### BUSINESS DEVELOPMENT HIGHLIGHTS Q1 2023

#### ➤ Granting of Additional Strategic Concessions Adjacent to Santander Mine

On January 18, 2023, the Company announced that it has been granted by INGEMMET three additional mining concessions adjacent to its Santander Mine. The new concessions cover an additional 2,094.103 ha.

The new concessions, along with Magistral and Santander Pipe deposit, form part of the fertile regional area of mineralization that hosts numerous distal Zn-Pb carbonate replacement deposits (Porphyry and Skarn Mineral Deposit Belt).

The Company considers that the new areas offer significant exploration potential in view of walk over surveys already undertaken and structural interpretation of Sentinel-2 imagery for the Santander District. Moreover, the combined concession is strategically located within the district of rich concessions including Romina, Puagjanca, Alparmarca and Huaron.

The Company plans to negotiate land usage agreements for the new areas during 2023 and will undertake a mapping and sampling program for the first phase of exploration.

(Please see company news release dates January 18, 2023 for more information)

#### ➤ Warrant Extension

On January 18, 2023, the Company amended the expiry date (the "Extension") of 4,283,277 outstanding share purchase warrants (the "Warrants") that were issued pursuant to non-brokered private placements closed between April 8, 2021, and May 27, 2021. Each Warrant currently entitles the holder to purchase one common share in the capital of the Company at a price of \$0.50 per share for a period of two years (the "Expiry Date"). None of the Warrants have been exercised to date. The Expiry Date of the Warrants will be extended to May 27, 2024. All other terms of the Warrants will remain the same.

#### ➤ Positive Preliminary Economic Assessment for the Santander Mine

On February 21, 2023, the Company announced the results of Preliminary Economic Assessment ("PEA") for its brownfield Pipe Project ("the Project" or "the Santander Pipe"). The Project forms a strategic cornerstone for CDPR's 100% owned Santander Mine, located in central Peru.

The Santander Pipe demonstrates positive financial returns, with a pre-tax net present value ("NPV") at 6% discount rate of US\$ 71.3 million, generating an estimated internal rate of return ("IRR") of 46.6%.

The PEA considers the Project as a standalone operation with zinc concentrate production estimated at 313,600 dry metric tonnes ("dmt") over a 5-year schedule.

Project cash cost ("C1") and all-in sustaining cost ("AISC") of US\$0.82/lb Zn and US\$1.05/lb Zn, respectively, generating revenues of US\$388.6 million and pre-tax free cash flow of US\$ 99.6 million.

Considered in the Project are synergies to be realized from the existing 2,500 tpd sulfide concentrator, electrical power grid, pumping station, water treatment plant, tailings facility, and other infrastructure from the existing Santander Magistral operation. Current on-going Magistral operation—mining and ore processing—is not considered in the PEA study.

The mineral resource estimate ("MRE") to be mined considers Indicated Mineral Resource of 3.23 Mt with 6.94% Zn and Inferred Mineral Resource of 1.78 Mt with 5.95% Zn; while the industrial circuit plans to

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process an average of 770,000t of mineralized material per year (with peak production at 900,000 tonnes year), with an average grade of 4.7% of Zn, 89% recovery and 51% in Zn concentrate grade.

The Project is also set to benefit from significant potential resources, such as the Santander Pipe mineralization above the 4020 level, estimated to contain some 3 to 4 million tonnes averaging 4 to 6% Zn, and the newly discovered Pipe North zone.

### ➤ **Extension of Surface Rights Contract for Quiulacocha Tailings Project**

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacocha for the first phase of the Quiulacocha Tailings Project.

### ➤ **Peruvian Government Fast Tracks Quiulacocha Tailings Project**

On March 7, 2023, the Company announced that the Quiulacocha Tailings Reprocessing Project is included in the 2023 Ministry of Economy and Finance (MEF) Specialized Projects List (Banco Especializado de Proyectos del Equipo Especializado de Seguimiento de la Inversión - EESI), which establishes the universe of projects on which it will prioritize its actions in order to ensure an efficient follow-up, with the objective of fast-tracking development and construction of the country's highest-impact projects.

### ➤ **Agreement with Volcan and Glencore to Secure development of Quiulacocha Tailings.**

On March 21, 2023, the Company announced that signed a Memorandum of Understanding Volcan Compania Minera S.A.A., setting out shared objectives and a framework for collaboration with regards to first phase of development and exploration of CDPR's Quiulacocha Tailings Project.

In addition, the Company announced that Glencore International AG will provide CDPR a US\$2 Million term loan to cover the costs associated with the first phase of the QT Project. This includes geophysical studies, a 40-hole sonic drilling program, laboratory testing, mineralogy studies, resource estimation and economic assessment. Funds will be disbursed in accordance with a schedule of milestones. The first disbursement will occur upon obtainment of easement. Repayment will occur within 12 months from the start of commercial production. The note will bear interest from the date of first disbursement at the rate of (3-month term secured overnight funding rate + 2%) per annum.

### ➤ **Promissory Note Amendment**

On March 15, 2023, the Company entered into second amendment agreement to modify the terms of a promissory note issued on November 26, 2021, in the amount of CA\$ 1,500,000 to a holder of more than 10% of the shares of the Company (the "Note"). For details regarding the Note, please refer to the press release of the Corporation dated December 3, 2021.

On June 23, 2022, and July 11, 2022, the Company repaid two amounts of CA\$150,000 for a total of CA\$300,000, reducing the principal amount due to CA\$1,200,000.

On November 4, 2022, the Company repaid CA\$20,000 reducing the principal amount due to CA\$1,180,000.

The Amendment Agreement extends the term of the Note 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. Furthermore, and commencing on April 1, 2023, the interest rate on the Note shall be at 10% per annum.

Monthly issues of warrants shall no longer be continued under the second amendment agreement.

On March 27, 2023, the Company repaid CA\$600,000 reducing the principal amount due to CA\$580,000.

### ➤ **Private Placement Financing**

On March 22, 2023, the Company concluded a private placement by issuing 8,895,000 units at a price of CA\$0.10 per unit for proceeds of CA\$889,500. Each unit consists of one Common share and one Common Share purchase warrant for a total of 8,895,000 common shares and 8,895,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 22, 2025.

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On March 24, 2023, the Company concluded a private placement by issuing 7,160,000 units at a price of CA\$0.10 per unit for proceeds of CA\$716,000. Each unit consists of one common share and one warrant for a total of 7,160,000 common shares and 7,160,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 24, 2025.

On March 31, 2023, the Company concluded a private placement by issuing 9,190,000 units at a price of CA\$0.10 per unit for gross proceeds of CA\$919,000. Each unit consists of one common share and one warrant for a total of 9,190,000 common shares and 9,190,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of CA\$0.25 until March 31, 2025.

### ➤ **Issuance of Shares**

On February 22, 2023, the Company issued to two service providers a total of 40,000 common shares valued at CA\$4,200 for business development consultancy and consulting fees.

### ➤ **Issuance of Warrants to Promissory Note Holder**

On January 26, 2023, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of January 26, 2025.

On February 26, 2023, the Company issued 400,000 warrants to the note holder. The warrants have a strike price of CA\$0.25 and an expiry date of November 26, 2025.

## **BUSINESS DEVELOPMENT SUBSEQUENT EVENTS**

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

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

### ➤ **Issuance of Shares**

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

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### SANTANDER MINE, PERU

#### Production Results

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

		Q1'23	Q1'22	Var %
<b>Production</b>				
Ore Mined	t	178,235	92,602	92%
Ore Milled	t	176,484	94,918	86%
Zn Head Grade	%	3.27	4.30	-24%
Pb Head Grade	%	0.26	0.20	30%
Ag Head Grade	oz/t	0.63	0.56	13%
Zn Recovery	%	94.98	95.30	-0.3%
Pb Recovery	%	66.70	75.10	-11%
Ag recovery	%	42.67	50.30	-15%
Zn Payable Production	Mlbs	10.1	7.2	40%
Pb Payable Production	Mlbs	0.6	0.3	116%
Ag Payable Production	Moz	0.05	0.02	127%
Zn Production	Mlbs	12.1	8.6	40%
Pb Production	Mlbs	0.685	0.314	118%
Ag Production	Moz	0.0478	0.0253	89%
Zn Head Grade	%	47.5	48.7	-3%
Pb Head Grade	%	54.7	48.5	13%
<b>Sales</b>				
Zn Payable sold	Mlbs	10.3	7.5	37%
Pb Payable sold	Mlbs	0.6	0.2	200%
Ag Payable sold	Moz	0.04	0.02	116%
C1 Cash Cost <sup>1</sup>	US\$/lb	1.67	1.60	4%
AISC <sup>1</sup>	US\$/lb	1.96	1.60	23%

		Q1'23	Q1'22	Var %
<b>Finance</b>				
Revenues, net	(000)s US\$	12,305	14,581	-16%
Cost of Goods Sold	(000)s US\$	-14,605	-9,725	50%
Gross Profit	(000)s US\$	-2,301	4,856	-147%
Sales and Admin Expenses	(000s) US\$	-349	-584	-40%
Adjusted EBITDA1	(000)s US\$	-2,650	4,272	-162%
Other income (expense)		-886	-18	4823%
EBITDA <sup>1</sup>	(000)s US\$	-3,536	4,254	-183%
Depreciation	(000)s US\$	1,408	262	437%
EBIT <sup>1</sup>	(000)s US\$	-2,128	4,516	-147%



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		Q1'23	Q1'22	Var %
Mine Operating Expenses	(000)s US\$	13,363	9,517	40%
Smelting and refining	(000)s US\$	4,364	2,459	77%
Distribution	(000)s US\$	403	217	86%
Royalties	(000)s US\$	50	27	84%
Less: By-product revenues	(000)s US\$	- 1,355	-678	100%
C1 total costs	(000)s US\$	16,825	11,542	46%
Sustaining CAPEX	(000)s US\$	2,878	198	1354%
Lease Payments	(000)s US\$	-	0	
AISC total costs	(000)s US\$	19,703	11,740	68%
Pounds of zinc payable produced	Mlbs	10.1	7.2	40%
C1 Cash Cost per pound	\$US	1.67	1.60	4%
All-in Sustaining Cost per pound	\$US	1.96	1.60	23%

### Q1 2023 Highlights

- Metal Production in Q1 2023 was 12.1 million pounds of Zinc, 685 thousand pounds of Lead, and 47.8 thousand ounces of Silver. These production figures represent a 40% increase in Zn, 118% increase in Pb and 89% in Ag respectively over Q1-2022 production
- The mine processed 176,484 tonnes of Ore with an average Zn grade of 3.27% at 94.98% recovery. Compared to Q1-2022, 86% more tonnes of Ore were processed, Zn grade was 24% lower and recovery remains unchanged.
- Concentrate production consisted of a total 11,552 dmt of Zn concentrate at 47.5% quality and 566 dmt of Pb concentrate at 54.7% quality.
- Total C1 cash cost per pound of zinc produced in Q1 2023 was US\$1.67. A 4% increase over Q1-2022
- Total All-in sustaining cost ("AISC") per pound of zinc produced in Q1 2023 was US\$1.96. A 23% increase over Q1-2022
- Q1 2023 average mill production was 2,000 tonnes per day. This was a 92% improvement over throughput achieved in Q1 2022.
- Average mine development of 766 meters per month for Q1 2023. A 197% increase over Q1-2022. This included a total of 198 meters completed for the Magistral-Pipe tunnel project.
- Completed 2500 m of diamond drilling in Q1-2023. Drilling was focused in Puajanca for a total of 2200 meters intercepting and 300m in Magistral-North area. In addition, in Q1-2023 the mine completed 5,650 m of underground in-fill drilling.
- Puajanca drilling resulted in a total of 60m of high grade mineralization intercepted with the average of intercepts being 5m in width, 3% Zn, 1.3% Pb and 49 gpt Ag.

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### Santander Mineral Resource Inventory

#### Magistral

The Mineral Resources Inventory for the Magistral Mine was declared in CDPR's technical Report NI 43-101 by DRA Global in 2021. This report was updated in 2022 by DRA Global-Information Memorandum Report as of the 9th of September of 2022.:

Magistral Mineral Resources					
Category	Tonnage (kt)	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)
Measured	666	4.29	0.33	19.5	0.05
Indicated	1,789	3.99	0.18	18.1	0.06
<b>Measured + Indicated</b>	<b>2,454</b>	<b>4.07</b>	<b>0.22</b>	<b>18.5</b>	<b>0.06</b>
Inferred	1,248	3.52	0.12	16.1	0.06

1. All Mineral Resources have been estimated in accordance with the CIM Definition Standards. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
2. The Magistral Underground Mine Mineral Resource estimate is reported based on a net smelter return cut-off grade of US\$ 40/tonne with metal prices of: US\$ 3,000/tonne for Zn, US\$ 2,200/tonne for Pb, and US\$ 25/Oz for Ag.
3. For Magistral:  $NSR = (16.7 \times \%Zn) + (11.9 \times \%Pb) + (0.41 \times g/tAg)$ , assuming recoveries of 90% for Zn, 75% for Pb and 55% for Ag.
4. The mine Geology Department has prepared the Santander Magistral Underground Mine Mineral Resource model. Qualified Person, Mr. Graeme Lyall (FAusIMM), DRA independent Resource geology consultant, has validated the resource with adjustments effective September 09, 2022.

#### Santander Pipe

The Mineral Resources Inventory for the Pipe Project effective date of the report declared in Preliminary Economic Assessment (DRA, 2023) as of the 31st of January of 2023:

Pipe Project Mineral Resources					
Category	Tonnage (kt)	Zn (%)	Pb (%)	Ag (g/t)	Cu (%)
Measured	-	-	-	-	-
Indicated	3,225	6.94	0.017	13.5	0.17
<b>Measured + Indicated</b>	<b>3,225</b>	<b>6.94</b>	<b>0.017</b>	<b>13.5</b>	<b>0.17</b>
Inferred	1,779	5.95	0.013	7.9	0.15

1. All Mineral Resources have been estimated in accordance with the CIM Definition Standards. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
2. The Santander Pipe Underground Deposit Mineral Resource estimate is reported based on net smelter return cut-off grade of US\$ 40/tonne with metal prices of US\$ 3,000/tonne for Zn, US\$ 2,200/tonne for Pb, US\$ 9,300/tonne for Cu, and US\$ 25/Oz for Ag.
3. For Santander Pipe:  $NSR = (17.5 \times \%Zn) + (11.1 \times \%Pb) + (40.8 \times \%Cu) + (0.37 \times g/tAg)$ , assuming recoveries of 90% for Zn, 70% for Pb, 60% for Cu and 50% for Ag.
4. The mine Geology Department has prepared the Santander Pipe Underground Deposit Mineral Resource Model. Qualified Person, Mr. Graeme Lyall (FAusIMM), DRA independent Resource geology consultant, has validated the resource with adjustments effective January 31, 2023.

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### 2023 Production Guidance & Outlook

	Units	Guidance 2023
Payable production of ZnEq <sup>1</sup>	(000)s lbs	41,661 – 55,365
Payable production of Zinc	(000)s lbs	39,182 – 52,071
Payable production of Lead	(000)s lbs	1,284 – 1,707
Payable production of Silver	(000)s oz	106 – 141
C1 Cost	\$/lb Zn	1.55 – 1.41
AISC Cost	\$/lb Zn	2.20 – 2.00
Concentrate Zinc	dmt	39,926 – 50,494

1. Cash Costs calculated on a by-product basis measured in zinc equivalent unit pounds. Zinc equivalent calculated by converting by-product lead and silver units equivalent to a Zinc unit by proportionally weighted unit value of by-product to the price value of each metal.
2. AISC costs reflect the sustaining capex required at Santander, such as tailings expansion, pumping & power infrastructure, and development in preparation for Pipe production.
3. Prices considered are 1.51 \$/lb for Zinc, 1.01\$/lb for Lead and 23 \$/oz for Silver.

### 2023 Outlook

- 2023 marks the start of the development and expansion phase for the Santander mine, as it ramps up construction of several projects related to the Santander Pipe project.
- The Company plans to invest over US\$ 30 million in capital expenditures over the next two years, consisting of US\$22 million for development of the Santander Pipe project, US\$ 9 million for new infrastructure and US\$3 million in exploration.
- The highlights of an independent 43-101 PEA report were reported in a Company press release dated February 21<sup>st</sup>, 2023.
- Projects for Santander Pipe include detailed engineering, permitting, as well as preliminary construction activities related to the Santander Pipe project and water treatment capacity.
- Optimize OPEX by procuring a new partial production fleet and optimizing equipment cost and availability.
- Complete targeted construction of an exploration decline to the Pipe North Extension.
- Complete an underground drilling campaign of the Santander Pipe and Pipe North Extension.
- Initiate and complete surface drilling campaign for Puajanca and Naty exploration targets and define the potential MRE zone.
- Produce a new NI 43-101 mineral resource statement.
- Further strengthen balance sheet through obtainment of project financing and working capital.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

### El Metalurgista

#### ➤ Highlights

- Unique location at the center of a historic mining cluster undergoing a process of consolidation in Cerro de Pasco.
- Significant scale with 170 million tons of material and massive overground resource.
- 42.9 million ounces of silver inferred with NI 43-101 certification at the outset with significant upside.
- Strong social license and support from local authorities combined with commitment to ESG principles.
- Unique management team with profound knowledge of Cerro de Pasco
- Near term production objectives and low initial capital requirements based on conservative assumptions



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### ➤ **EI Metalurgista – Quiulacocha TSF**

- 100% interest in the EI Metalurgista mining concession (95.74 ha) incorporating mineral rights covering 57 ha of the Quiulacocha Tailings Storage Facility.
- Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
- Roads accessible, power grid, abundant water, adjacent to operational processing facility.
- Tailings produced during processing of mineral mined from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as Cordilleran base-metal deposit.
- End Product: Zn, Cu, Pb, Mo Concentrate
- Development Stage

The most recent Historical NI 43-101 Mineral Resource Estimate for the Quiulacocha TSF by JA Brophy in 2012 were estimated at 2,500,000 tonnes grading 1.46% zinc per tonne, 0.85 % lead per tonne, 38 grams silver per tonne in the measured category\*; and 4,900,000 tonnes grading 1.43% zinc per tonne, 0.76% lead per tonne, 38 grams silver per tonne in the indicated category\*. This estimate was based on a shallow surface auger sampling program which is estimated to represent only 10% of the expected tonnes of the Quiulacocha tailings deposit.

*\* The resource estimates described above are historical in nature and cannot be relied upon for economic evaluations.*

The tailings stored in the TSF, comprised of processing residues, come from the Cerro de Pasco open pit and underground mine. Initially these tailings resulted from the mining of copper-silver-gold mineralization with reported historical head grades of up to 10% Cu, 4g/t Au and over 300g/t Ag and later from the mining of zinc-lead-silver mineralized material with average historical grades of 7.41% Zn, 2.77% Pb and 90.33g/t Ag.

The Company believes that Quiulacocha TSF has potential to increase significantly if CDPR can acquire government owned surface rights that surround the EI Metalurgista concession.

### **Development Highlights**

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacocha for the first phase of the Quiulacocha Tailings Project.

On March 7, 2023, the Company announced that the Quiulacocha Tailings Reprocessing Project is included in the 2023 Ministry of Economy and Finance (MEF) Specialized Projects List (Banco Especializado de Proyectos del Equipo Especializado de Seguimiento de la Inversión - EESI), which establishes the universe of projects on which it will prioritize its actions in order to ensure an efficient follow-up, with the objective of fast-tracking development and construction of the country's highest-impact projects.

On March 21, 2023, the Company announced that signed a Memorandum of Understanding Volcan Compania Minera S.A.A., setting out shared objectives and a framework for collaboration with regards to first phase of development and exploration of CDPR's Quiulacocha Tailings Project.

In addition, the Company announced that Glencore International AG will provide CDPR a US\$2 Million term loan to cover the costs associated with the first phase of the QT Project. This includes geophysical studies, a 40-hole sonic drilling program, laboratory testing, mineralogy studies, resource estimation and economic assessment. Funds will be disbursed in accordance with a schedule of milestones. The first disbursement will occur upon obtainment of easement.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### ➤ **EI Metalurgista – Excelsior Stockpile**

- 100% interest in the EI Metalurgista mining concession (95.74 ha) incorporating mineral rights covering approximately 35 ha of the Excelsior Stockpile.
- Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
- Roads accessible, power grid, abundant water, adjacent to operational processing facility.
- Stockpiled low-grade Zn, Pb, Ag mineralization sourced from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as a Cordilleran base-metal deposit.
- End Product: Zn, Cu, Pb Concentrate

The Excelsior Stockpile covers a surface area of 67.92 ha and contains approximately 70 Mt of broken rock. The stockpile was in use between approximately 1970 and 1996 to store what was then considered uneconomic/low grade mineralization from the Raul Rojas open pit. The surface area of the Excelsior Stockpile lying within the EI Metalurgista Concession is approximately 35 ha and contains approximately 30 Mt of broken rock.

NI 43-101 compliant Inferred Mineral Resource of 30.10 Mt grading 44 g/t Ag, 0.6% Pb and 1.5% Zn, containing 42.9 million ounces of silver, 437,000 tonnes of zinc and 184,000 tonnes of lead.

The Company believes the Excelsior Mineral Resource has potential to increase significantly if CDPR can acquire government owned surface rights that surround the EI Metalurgista concession.

## **SUSTAINABLE DEVELOPMENT OF THE CERRO DE PASCO COMPLEX TOWARDS A MODERN ZERO WASTE OPERATION**

### ➤ **Highlights**

- Completing a detailed drilling program and associated technical studies of the Quiulacocha TSF to gain a better understanding of the deposit (resource estimation, mineralogy, metallurgical recoveries and process) and their current impact on the environment (to include a baseline study of the entire Cerro de Pasco watershed).
- Research with H2-SPHERE and DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.
- Collect information required for designing systems that will be used to aid environmental clean-up while work is ongoing to reuse as much of the natural resources as possible.
- Utilize best in class proven technology and world class environmental controls for re-processing of Quiulacocha TSF and Excelsior Stockpile.
- Create a positive impact that will be immense in terms of job creation, poverty reduction and quality of life at Cerro de Pasco, a city with over 50,000 inhabitants and a unique history in, and loyalty to mining. CDPR will promote a broad spectrum of initiatives including urban re-planning, health and welfare in collaboration with the local and national authorities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

### ➤ Reprocessing Waste from Traditional Mining to Create a New Circular and Sustainable Economy



- Traditional mining brought decades of prosperity with zinc, copper, lead, silver, and gold.
- Now, with little availability of primary reserves, we will devote ourselves to re-exploiting tailings and discarded ore, extracting the remaining resources that include not only from the original minerals, but also the opportunity to exploit bismuth, selenium, gallium, indium, and germanium.

### SOCIAL RESPONSIBILITY

- Ensure open, honest, and transparent communications and interactions;
- Recognize and use of existing structures and initiatives, to avoid displacement or redundancy;
- Create partnerships and multi-stakeholder approaches;
- Use key areas of support: health, education, support for disadvantages groups, and strengthening of local economy; and
- Retreat and remove environmental mining liabilities with a high ethical standard, in compliance with all applicable laws, regulations, and internationally accepted standards, and exceeding these where we can.

### ➤ Stakeholder Consultation

At CDPR we ensure that our environmental and social permitting processes involve extensive community /stakeholder consultation, and full transparent disclosure of the characteristics of our projects and their potential environmental and social impacts during the mine life cycle (e.g. exploration and feasibility, planning and construction, operation and mine closure).

### ➤ Land Use Agreements

On 13 October 2019, CDPR and the community of Quiulacochoa reached an agreement for the temporary use of 77.54 hectares of communal land. Through a majority vote the community of Quiulacochoa expressed its support for the reprocessing of the Quiulacochoa tailings. It also approved CDPR's upcoming drilling and technical studies program which objective is to prove that the tailings can be reprocessed economically, and that the area can be rehabilitated.

On February 22, 2023, the Company announced the extension of the surface right contract between CDPR and the community of Quiulacochoa for the first phase of the Quiulacochoa Tailings Project.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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### **CORPORATE OBJECTIVES FOR 2023**

- Complete Drilling Campaign for Quiulaocha Tailings Project
- Obtain land access agreement (rights of passage) for permission to access the surface land which underlays the El Metalurgista concession
- Obtain Peruvian Government assignment of responsibility to restore and remediate the entire area of the Quiulaocha Tailings and Excelsior stockpile.
- Produce a Resource Estimate on Quiulaocha Tailings
- Complete Geophysical, Mineralogical and Metallurgical studies on the Quiulaocha Tailings.
- Advance towards the Santander Pipe.
- Explore and identify for new and additional resource potential at Santander with the focus on a 10 year plus life of mine
- Strengthen balance sheet

### **QUALIFIED PERSON**

Mr. Jorge Lozano, MMSAQP and Chief Operating Officer for CDPR, has reviewed and approved the scientific and technical information contained in this news release. Mr. Lozano is a Qualified Person for the purposes of reporting in compliance with NI 43-101.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

### MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month periods ended March 31, 2023 and 2022.

Mining properties  
For the three-months ending March 31, 2023

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

Mining properties  
For the three-months ending March 31, 2022

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

Development, exploration and evaluation assets  
For the three-month period ended March 31, 2023

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
<b>Development, exploration and evaluation assets</b>	\$	\$	\$
Exploration costs	-	506,836	506,836
Transfer to property, plant, & equipment	-	-	-
	-	506,836	506,836
<b>Balance, beginning of period</b>	144,111	7,334,833	7,478,944
<b>Balance, end of period</b>	144,111	7,841,669	7,985,780

Development, exploration and evaluation assets  
For the three-month period ended March 31, 2022

	PERU	PERU	
	Quiulacocha tailings and Excelsior stockpile	Santander	Total
<b>Development, exploration and evaluation assets</b>	\$	\$	\$
Exploration costs	-	767,374	767,374
Transfer to property, plant, & equipment	-	-	-
	-	767,374	767,374
<b>Balance, beginning of period</b>	144,111	5,245,338	5,389,449
<b>Balance, end of period</b>	144,111	6,012,712	6,156,823

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### FINANCIAL INFORMATION

#### Functional and presentation currency

These selected annual and quarterly financial information and other financial information are presented in US dollars ("USD"). The functional currency of Cerro de Pasco Resources Inc. is the Canadian dollar ("CAD"). The functional currency of Cerro de Pasco Resources Sucursal del Peru and Santander is USD. The functional currency of H2-Sphere GmbH is the Euro. See Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2022, for change in presentation currency details.

#### IFRS Accounting policies

The Company's significant accounting policies under IFRS are disclosed in Note 5 in the audited annual consolidated financial statements for the year ended December 31, 2022.

#### Use of estimates and judgements

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

#### Changes in accounting policies

As a result of the acquisition and increased operations of the acquired subsidiary, Santander, the Company has changed its financial statement presentation currency from CAD to USD, effective January 1, 2022. The change in the financial statement presentation currency is an accounting policy change and has been accounted for retrospectively. See Note 4 to the audited annual consolidated financial statements for the year ended December 31, 2022 for change in presentation currency details.

There were no other accounting changes in accounting policy to disclose during the three-month period ended March 31, 2023.

#### New standards and interpretations that have not yet been adopted

Since the issuance of the Company's audited consolidated financial statements for the year ended December 31, 2022, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

#### Dividends

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs, profitability in the Santander mining operations and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

### SELECTED QUARTERLY FINANCIAL INFORMATION

Cerro de Pasco Resources anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter-to-quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

	2023		2022		2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS</b>								
Revenue from Zinc, Lead and Silver concentrate sales	12,304,938	9,898,463	9,220,817	6,891,234	14,580,777	7,120,766	-	-
Cost of Sales	14,605,490	13,335,712	10,511,822	8,249,807	9,729,666	4,534,445	-	-
Gross Profit	(2,300,552)	(3,437,243)	(1,291,005)	(1,358,573)	4,851,111	2,586,321	-	-
Expenses:								
Selling Expenses	302,479	304,195	305,329	179,564	216,770	139,105	-	-
Exploration and evaluation expenditures	-	2,810,495	-	836,873	-	-	-	-
Research and development expenses	-	76,115	56,724	3,319	111,289	544,887	-	-
General and administrative expenses	2,231,760	1,349,996	1,496,938	2,103,327	2,382,396	1,333,377	703,437	806,090
<b>Operating income (loss) before other revenues (expenses) and income tax</b>	<b>(4,834,791)</b>	<b>(7,978,044)</b>	<b>(3,150,596)</b>	<b>(4,481,656)</b>	<b>2,140,656</b>	<b>568,352</b>	<b>(703,437)</b>	<b>(806,090)</b>
<b>Other revenues (expenses)</b>								
Financial income	22,515	5,480	5,407	15,844	46,938	51,960	-	-
Financial expenses	(315,611)	(361,621)	(309,592)	(282,696)	(334,610)	(177,579)	(74,230)	(120,731)
Non-recoverable sales taxes	-	(146,216)	-	-	-	(48,782)	(6,092)	(8,269)
Change in fair value of other financial assets	2,655	(1,150)	(20,976)	-	-	(42,935)	14,340	8,631
Change in fair value of warrants and embedded derivative on convertib	-	1,504	27,438	-	-	77,288	21,527	37,372
Change in fair value of contingent consideration	(6,156)	32,693	(1,341,188)	-	-	-	-	-
Gain on settlement of payables	-	-	-	-	-	-	-	75,521
Gain on convertible debenture refinancing	-	100,124	-	-	-	-	-	8,303
Gain on bargain purchase	-	-	-	-	-	561,123	-	-
Government assistance	-	-	-	-	-	-	-	9,707
Exchange gain (loss)	(276,173)	99,953	(390,187)	(131,244)	(38,678)	(111,379)	216,861	(4,067)
Gain (loss) on dissolution of subsidiaries	-	(3,578)	103,275	-	-	-	-	-
<b>Total other revenue (expense)</b>	<b>(572,970)</b>	<b>(272,811)</b>	<b>(1,925,823)</b>	<b>(398,096)</b>	<b>(326,550)</b>	<b>309,696</b>	<b>172,406</b>	<b>6,467</b>
<b>Income and mining taxes</b>	<b>(374,008)</b>	<b>(1,777,517)</b>	<b>(423,631)</b>	<b>448,437</b>	<b>(463,711)</b>	<b>(642,493)</b>	<b>-</b>	<b>-</b>
<b>Net income (loss)</b>	<b>(5,781,769)</b>	<b>(10,028,372)</b>	<b>(5,500,050)</b>	<b>(4,431,315)</b>	<b>1,350,395</b>	<b>235,555</b>	<b>(531,031)</b>	<b>(799,623)</b>
<b>Other comprehensive income (loss)</b>								
Currency translation adjustment	(613)	69,688	378,095	179,916	(111,135)	(41,648)	(144,649)	64,403
<b>Other comprehensive income (loss) net of tax</b>	<b>(813)</b>	<b>69,688</b>	<b>378,095</b>	<b>179,916</b>	<b>(111,135)</b>	<b>(41,648)</b>	<b>(144,649)</b>	<b>64,403</b>
<b>Net comprehensive income (loss)</b>	<b>(5,782,582)</b>	<b>(9,958,684)</b>	<b>(5,121,955)</b>	<b>(4,251,399)</b>	<b>1,239,260</b>	<b>193,907</b>	<b>(675,680)</b>	<b>(735,220)</b>
<b>Net income (loss) loss attributable to:</b>								
Shareholders of Cerro de Pasco Resources Inc	(5,779,825)	(10,013,020)	(5,488,542)	(4,429,846)	1,372,732	235,555	(531,031)	(799,623)
Non-controlling interests	(1,944)	(15,352)	(11,508)	(1,469)	(22,337)	-	-	-
<b>Other comprehensive income (loss) attributable to:</b>								
Shareholders of Cerro de Pasco Resources Inc	(594)	67,577	374,567	180,727	(111,018)	(41,648)	(144,649)	64,403
Non-controlling interests	(219)	2,111	3,528	(811)	(117)	-	-	-
<b>Total comprehensive income (loss)</b>	<b>(5,780,419)</b>	<b>(9,945,443)</b>	<b>(5,113,975)</b>	<b>(4,249,119)</b>	<b>1,261,714</b>	<b>193,907</b>	<b>(675,680)</b>	<b>(735,220)</b>
Shareholders of Cerro de Pasco Resources Inc	(5,780,419)	(9,945,443)	(5,113,975)	(4,249,119)	1,261,714	193,907	(675,680)	(735,220)
Non-controlling interests	(2,163)	(13,241)	(7,980)	(2,280)	(22,454)	-	-	-
<b>Weighted averages shares outstanding</b>	<b>289,353,767</b>	<b>287,651,238</b>	<b>287,579,400</b>	<b>287,523,961</b>	<b>287,123,835</b>	<b>270,855,089</b>	<b>275,442,851</b>	<b>273,282,030</b>
<b>Basic and diluted income (loss) per share:</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

	2023				2022			
	Q4	Q4	Q3	Q2	Q1	Q4	Q3	Q2
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION								
Cash and cash equivalents	1,464,415	992,301	2,150,242	3,756,537	6,892,901	9,981,779	514,830	1,347,851
Cash and cash equivalents - restricted	4,575,332	4,462,271	5,483,902	6,270,243	785,456	1,100,614	-	-
Accounts receivable	6,691,851	5,660,345	2,464,661	4,846,543	8,875,775	9,030,272	-	-
Other receivables	3,889,578	2,456,498	332,495	1,071,460	1,296,660	841,236	83,684	114,170
Income and mining taxes receivable	734,048	701,060	671,100	1,452,071	753,214	753,214	-	-
Inventories	2,404,669	2,547,917	2,352,207	2,628,738	1,987,751	2,337,334	-	-
Prepaid expenses	1,669,816	1,194,902	2,374,169	575,739	1,412,490	660,887	63,684	72,062
Cash and cash equivalents - restricted (non-current)	-	-	-	-	5,459,317	981,075	-	-
Property, plant & equipment	10,526,812	9,085,578	8,490,660	5,804,910	5,643,087	5,841,310	30,281	33,917
Deferred income tax	-	-	-	264,149	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-
Mining properties, exploration and evaluation assets	9,439,026	8,710,668	9,828,184	8,936,168	7,418,927	6,715,100	1,214,259	1,214,146
<b>Total assets</b>	<b>41,465,049</b>	<b>35,877,780</b>	<b>34,217,372</b>	<b>35,706,408</b>	<b>40,632,421</b>	<b>38,351,621</b>	<b>2,042,621</b>	<b>2,907,324</b>
Trade accounts payable and other liabilities	39,456,842	29,095,996	18,446,912	15,588,087	15,611,028	14,951,573	1,555,125	1,771,573
Promissory note	428,562	818,719	886,783	1,051,040	1,131,560	1,047,672	-	-
Balance of purchase payable	1,682,775	1,674,194	1,674,194	1,674,194	1,674,194	1,674,194	-	-
Current portion contingent consideration payable	2,500,000	2,493,844	-	-	-	-	-	-
	357,385	307,752	2,135,906	3,348,161	1,780,964	903,017	-	-
Current portion of provision for rehabilitation and mine closure	-	-	-	-	-	-	-	-
Current portion of loan	371,885	699,453	999,118	1,344,737	1,383,937	1,296,513	-	-
Convertible debenture	987,636	922,029	866,888	1,149,792	1,157,944	1,085,794	1,038,263	1,025,539
Provision for taxes payable	1,715,112	1,715,112	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>47,507,586</b>	<b>37,727,099</b>	<b>25,058,090</b>	<b>24,207,371</b>	<b>22,792,595</b>	<b>21,010,844</b>	<b>2,641,918</b>	<b>2,843,714</b>
Loan	-	-	-	22,719	371,774	641,640	26,356	26,153
Warrants - Liability	-	-	-	29,183	30,097	29,593	45,301	71,609
Deferred income tax	311,812	53,301	74,291	-	257,510	53,301	53,303	53,298
Contingent consideration payable	-	-	2,526,537	1,102,191	1,102,191	1,102,191	-	-
Provision for rehabilitation and mine closure	13,891,385	13,891,385	12,584,416	11,325,459	12,812,161	13,810,698	-	-
<b>Total non-current liabilities</b>	<b>14,203,197</b>	<b>13,944,686</b>	<b>15,185,244</b>	<b>12,479,552</b>	<b>14,573,733</b>	<b>15,637,423</b>	<b>124,960</b>	<b>151,060</b>
<b>Equity (Deficiency)</b>	<b>(20,245,734)</b>	<b>(15,794,005)</b>	<b>(6,025,962)</b>	<b>(980,515)</b>	<b>3,266,093</b>	<b>1,703,354</b>	<b>(724,257)</b>	<b>(87,450)</b>

The net loss of \$5,781,769 for Q1-2023 is mainly attributable to net losses from Santander mining operations of \$4,356,593.

The net loss of \$10,028,372 for Q4-2022 is mainly attributable to net losses from the Santander mining operations of \$4,368,843 offset by the gain from income and mining taxes of \$1,777,517.

The net loss of \$5,500,052 for Q3-2022 is mainly attributable to loss from Santander mining operations of \$3,970,830, \$1,341,188 of losses due to the change in fair value of contingent consideration, and \$1,529,222 of losses from other operations which were mainly attributable to general and administrative expenses of \$1,496,940.

The net loss of \$4,431,314 for Q2-2022 is mainly attributable to losses from Santander mining operations of \$2,694,569 compared to losses of \$1,736,745 from other operations, which were mainly attributable to general and administrative expenses of \$2,103,326.

The net income of \$1,350,396 for Q1-2022 is mainly attributable to profits from the Santander mining operations of \$3,524,401 offsetting \$2,174,004 of losses from other operations which were mainly attributable to general and administrative expenses of \$2,382,395.

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

The net loss of \$799,623 for Q2-2021 is mainly attributable to general and administrative expenses of \$806,090.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

#### Net loss

The basic and diluted loss per share for the three-month period ended March 31, 2023, is \$0.02 as compared to an income of \$0.00 for the three-month period ended March 31, 2022.

During the three-month period ended March 31, 2023, the Company realized a net loss of \$5,781,769 as compared to a net income of \$1,350,396 for the three-month period ended March 31, 2022.

This increase in losses of \$4,431,373 is mainly attributable to the losses from Santander mining operations of \$4,356,593 and loss from other operations of \$1,425,175.

#### Operating expenses

During the three-month period ended March 31, 2023, operating expenses were \$2,534,239 as compared to \$2,710,454 for the three-month period ended March 31, 2022. There was an insignificant change from period-to-period due to ongoing operations at the Santander mine.

#### Other revenues (expenses)

During the three-month period ended March 31, 2023, total other revenue (expenses) was (\$572,970) as compared to other revenue (expenses) of (\$326,550) for the three-month period ended March 31, 2022.

The net increase of \$246,420 is mainly attributable to an increase in exchange losses occurring at the parent level.

### CASH FLOWS

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

Cash flows from operating activities were \$3,032,765 during quarter ended March 31, 2023, an increase of \$5,209,609 as compared to cash flows used for operating activities of \$2,176,844 during the quarter ended March 31, 2022. The increase is mostly attributable to an increase of \$11,997,456 in cash flows from change in working capital items. This increase was offset by a decrease of \$6,787,847 in operating activities before changes in working capital, which was mostly attributable to the net loss of \$5,781,769.

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

Cash flows from financing activities were \$601,816 during the quarter ended March 31, 2023, an increase of \$780,321 as compared to cash flows used in financing activities of \$178,505 for the quarter ended March 31, 2022.

The increase was mostly caused by proceeds received from shares issued of \$1,446,370, offset by repayments of the loan and promissory note of \$780,357, and share issuance costs of \$71,740.

#### Cash flows used for investing activities

Cash flows used for investing activities were \$3,148,860 during the quarter ended March 31, 2023, a decrease of \$2,474,212 as compared to cash flows used for investing activities of \$674,648 for the quarter ended March 31, 2022.

The decrease of \$2,474,212 in cash flows used for investing activities were primarily attributable to the acquisition of property, plant, and equipment that increased by \$2,513,228. Acquisition of exploration and evaluation assets increased by \$221,522. This was offset by the decrease in investment in mining concessions and mining development by \$260,538.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### OTHER FINANCIAL DISCLOSURES

#### Related party transactions

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

	Three-months ended	
	March 31, 2023	March 31, 2022
	\$	\$
Management and consulting fees	319,422	732,815
Salaries and director's fees	108,185	115,488
	427,607	848,303

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

#### Contingency

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

#### Off-financial position arrangements

As at March 31, 2023, the Company had no off-financial position arrangements.

#### Going concern assumption

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

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

#### Liquidity and capital resources

For the three-month period ended March 31, 2023, the Company recorded a net loss of \$5,779,825 (net income of \$1,372,733 for the three-months ended March 31, 2022) due mainly to losses incurred by the Santander mining operations in the El Metalurgista Project. As of March 31, 2023, the Company had an accumulated deficit of \$49,389,112 (\$43,609,287 as of December 31, 2022) and an accumulated other comprehensive income(loss) of \$741,456 (\$742,050 as of December 31, 2022). As of March 31, 2023, the Company had a negative working capital of \$26,008,375 (negative working capital of \$19,645,567 as of December 31, 2022) consisting of unrestricted cash and cash equivalents of \$1,464,415 (\$992,301 as of December 31, 2022). For

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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the three-months ended March 31, 2023, the Company retrieved \$3,032,765 from operating activities, \$601,816 from financing activities, and used \$3,148,860 from investing activities, leading to a net cash flow of \$483,954.

Management believes that while these funds may be adequate to operate the Santander mine it may not be sufficient to meet the obligations and commitments of the Company as a whole. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern; unless any funding shortfall may be met in the future in a number of ways, including but not limited to the issuance of new equity instruments. In the quarter ended March 31, 2023, the Company raised about \$1.45 million from private placements consisting of common shares to fund exploration works and working capital needs. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in future operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets.

### Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity and long-term debt. Capital for the reporting periods under review is summarized in Note 30 and in the consolidated statements of changes in equity of the audited annual consolidated statements for the year ended December 31, 2022. In order to meet its objectives, the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies, and processes for managing capital during the reporting periods.

### Outstanding Share Data

The following selected financial information is derived from our audited financial statements:

	<b>Number of shares outstanding (diluted)</b>
Outstanding as of May 29, 2023	313,215,934
Shares reserved for issuance pursuant to share purchase options	10,830,000
Shares reserved for issuance pursuant to warrants	42,171,134
Convertible debentures	5,812,492
	<b>372,029,560</b>

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

Expiry date	Number of granted share options	Number of exercisable share options	Exercise price	Remaining life
			\$	(years)
August 19, 2023	200,000	200,000	0.40	0.2
August 28, 2023	200,000	200,000	0.40	0.2
March 7, 2024	5,300,000	5,300,000	0.40	0.8
May 6, 2024	200,000	200,000	0.50	0.9
September 16, 2024	200,000	200,000	0.40	1.3
August 28, 2025	3,690,000	3,690,000	0.40	2.2
March 28, 2027	1,040,000	1,040,000	0.40	3.8
	10,830,000	10,830,000	0.40	1.6

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

Expiry date	Number of outstanding warrants	Exercise price	Remaining life
		\$	(years)
June 15, 2023	1,857,143	0.50	0.6
December 20, 2023	785,714	0.50	1.0
May 27, 2024	4,283,277	0.50	0.0
November 8, 2024	3,000,000	0.50	1.4
November 26, 2024	3,000,000	0.25	1.5
March 22, 2025	8,895,000	0.25	1.8
March 24, 2025	7,160,000	0.25	1.5
March 31, 2025	9,190,000	0.25	1.8
July 18, 2025	500,000	0.50	1.8
July 26, 2025	500,000	0.50	1.8
August 26, 2025	500,000	0.50	1.8
September 26, 2025	500,000	0.50	2.1
October 26, 2025	400,000	0.25	2.2
November 26, 2025	400,000	0.25	2.2
December 22, 2025	400,000	0.25	2.3
January 26, 2026	400,000	0.25	2.4
February 26, 2026	400,000	0.25	2.5
	42,171,134	0.32	1.5

### FINANCIAL RISK MANAGEMENT

Liquidity risk is the risk that the Company will be unable to satisfy financial obligations as they fall due. The Company manages its liquidity risk by optimizing its cash holdings, forecasting cash flows required by operations and anticipated investing and financing activities. The Company's operating cash flows are very sensitive to variations in the price of zinc and lead, foreign exchange rates and ore grades, and any cash flow outlook provided may vary significantly to actual results. Spending and capital investment plans may be adjusted in response to changes in operating cash flow expectations. An increase in average zinc and lead prices from current levels may result in an increase in planned expenditures and, conversely, weaker average zinc and lead prices could result in a reduction of planned expenditures.



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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### **RISK AND UNCERTAINTIES**

The mining industry involves many risks which are inherent to the nature of the business, global economic trends and economic, environmental and social conditions in the geographical areas of operation. As a result, the Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on our operating results, business prospects or financial position. The Company continuously assesses and evaluate these risks and attempts to mitigate them by implementing operating standards and processes to identify, assess, report and monitor risks across our organization.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

### **OPERATIONAL RISKS**

#### **INDUSTRY CONDITIONS**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

#### **CERTAIN RISKS ASSOCIATED WITH THE EL METALURGISTA CONCESSION**

The Company has initiated negotiations with local stakeholders for gaining access to a portion of the surface lands that the Company will require for processing the tailings, dumps and slag to which its El Metalurgista concession entitles it to. It is the intention of the Company to pursue the negotiations and reach an agreement with local stakeholders. There is however no guarantee that such an agreement will be reached. Unless the Company acquires additional property interests, any adverse developments affecting the El Metalurgista concession could have a material adverse effect upon the Company and would materially and adversely affect any profitability, financial performance and results of operations of the Company.

#### **ENVIRONMENTAL MATTERS**

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

#### **LICENSES AND PERMITS**

As part of its exploration and processing activities or future projects, the Company is required to obtain several permits. Although the Company believes it will obtain the required permits, there is no assurance it will receive such permits or it may face administrative delays in doing so, which could impact its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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Failure to comply with applicable laws and regulations and permit requirements or amendments to them could have a harmful effect on the Company and could cause an increase of capital expenditures, exploration costs or production costs, or a decrease in the levels of production. Such amendments or the implementation of such laws and regulations could further cause the abandonment or delay the development of certain properties of the Company. No assurance can be provided or obtained that the Company will be able to obtain or maintain all required permits for the construction, development or operation of mining facilities on these properties on terms which enable operations to be conducted at economically justifiable costs.

### **POLITICAL AND COUNTRY RISKS**

The mineral property interests of the Company are located in Peru. The Company believes that Peruvian government supports the development of its natural resources by foreign companies. However, there is no assurance that future political and economic conditions in Peru will not result in the government adopting different policies regarding foreign ownership of mineral resources, taxation, exchanges rates, environmental protection, labor relations, and the repatriation of funds. The possibility that a future government may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out. The Company's current and future mineral exploration and processing activities could be impacted by widespread civil unrest and rebellion. Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, nationalization, or stability factors such as mass riots, civil war and other potential events contribute to companies' operational risks. Currently and since its operation began in Peru, the Company has not suffered any of these risks.

### **PRODUCTION AND COST ESTIMATES**

No assurance can be given that the intended or expected production schedules or the estimated cash costs and capital expenditures will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on our future cash flows, profitability, results of operations and financial condition. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. In addition, short-term operating factors, such as the processing of new or different ore material and ore grades, may cause a mining operation to be less profitable in any particular period.

### **DEPENDENCE ON MANAGEMENT**

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its executive officers and directors. See "Directors and Officers" for details of the Company's current management. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### **COMPETITION**

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### **SHARE PRICE VOLATILITY**

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

### **UNINSURED RISK**

The mining industry is subject to significant risks such as adverse environmental conditions or regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions,

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums.

The Company currently maintains available insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but it is not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the costs of remedying an environmental problem, it might be required to suspend operations or enter costly interim compliance measures pending completion of a permanent remedy.

### LITIGATION

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may, in the future, be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition. There are no significant proceedings against the Company as at the date of this annual information form.

### INCREASED COSTS AND COMPLIANCE RISKS OF BEING A PUBLIC COMPANY

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with recently adopted or proposed corporate governance related requirements.

The Company also expects these new rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

### ANTI-CORRUPTION LAWS

The Company's operations are governed by, and involve interactions with, many levels of government in two countries. Its operations take place in jurisdictions ranked unfavorably under Transparency International's Corruption Perception Index. The Company is required to comply with anti-corruption and anti-bribery laws, including the Criminal Code, the Canadian Corruption of Foreign Public Officials Act, as well as similar laws in Peru, where the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anticorruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Although the Company is implementing policies to mitigate such risks, including internal monitoring, reviews and audits, and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees, contractors or third-party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation, business, financial condition and results of operations.

### EXPLORATION AND MINING RISKS

Although the Company's activities are primarily directed towards mining operations, the Company is also engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. Some of the Company's property interests are in the exploration and evaluation stage only. The

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Future profitability will be impacted by the Company's success in locating economic deposits of minerals. There can be no assurance that any economic deposit of minerals located by the Company will lead to commercial mining operation.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The Company is subject to risks and hazards inherent to the mining industry, including fluctuations in metal prices, costs of operations, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, as well as the costs of protection of the environment and agricultural lands), and industrial accidents and labor actions or unrest. The occurrence of any of these factors could materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

### STAGE OF DEVELOPMENT

The Company may be unable to maintain or increase annual production, and changes in the production outlook will have an effect on the Company's cash flow from operations. Although the Company's activities are primarily directed towards mining operations, its activities also include the exploration for, and development of, mineral deposits. The Company must continually replace and expand Mineral Reserves depleted by production to maintain production levels over the long term. The Company's ability to maintain or expand production will depend on its ability to expand known ore bodies, locate new deposits, make acquisitions or bring new mines into production.

Material changes in Mineral Reserves and Mineral Resources, grades, production or recovery rates may affect the economic viability of projects. There is a risk that depletion of Mineral Reserves will not be offset by discoveries, acquisitions, or the conversion of Mineral Resources into Mineral Reserves. The mineral base of CDPR's operations may decline if reserves are mined without adequate replacement and the Company may not be able to sustain production beyond the current mine lives, based on current production rates. Exploration is highly speculative in nature. CDPR's exploration projects involve many risks. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. The Company can provide no assurance that it will be able to maintain or increase its annual production, bring new mines into production or expand the Mineral Reserves and Mineral Resources at existing mines.

A decrease in the amount of, or a change in the timing of the production outlook for, or in the prices realized for, metals of the Company will directly affect the amount and timing of the Company's cash flow from operations. The actual effect of such a decrease on the Company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls, delays in receiving permits, delays in construction, delays in commissioning the mines or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to fund capital expenditures, including capital for the Company's development projects, in the future. Any such financing requirements could adversely affect the Company's ability to access capital markets in the future to meet any external financing requirements or increase its debt financing costs.

### RISKS RELATED TO STATUTORY AND REGULATORY COMPLIANCE

Existing and possible future laws, regulations and permits governing the operations and activities of the Company, or more stringent implementation thereof, could have a material adverse impact on the Company business and cause increases in capital expenditures or require abandonment or delays in exploration.

The current and future operations of the Company, from exploration through development activities and commercial production, are and will be governed by applicable laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Uninsured Risk".

### **TITLE RISKS**

Although title to its properties has been reviewed by or on behalf of the Company, no assurance can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Peru, and the Company's ability to ensure that it has obtained secure claim to individual mineral properties may be severely constrained. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### **CONFLICT OF INTERESTS**

The Company's directors may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **KEY EMPLOYEES**

The management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

## **FINANCIAL RISKS**

### **METAL PRICE VOLATILITY**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered or processed at the Company's plant facilities. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. The effect of these factors cannot accurately be predicted.

### **FOREIGN EXCHANGE RATE FLUCTUATIONS**

The Company's activities and offices are currently located in Canada and Peru. The functional currency of the Company is the Canadian dollar. The assets, liabilities, revenues, and expenses of Peru operations are denominated in USD. The Company is a party to contracts denominated in USD. The Company is exposed to foreign exchange risks arising from the fluctuation of exchange rates between the USD and the Canadian dollar. The USD is subject to fluctuation in value vis-à-vis the Canadian Dollar. The Company does not utilize hedging programs to any degree to mitigate the effect of currency fluctuations.

### **CAPITAL NEEDS**

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **THREE-MONTH PERIOD ENDED MARCH 31, 2023**

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To fund its growth, the Company may be dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. A source of future funds available to the Company is the sale of additional equity capital and the borrowing of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favorable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

In addition, any future equity financing by the Company may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Company's properties or even a loss of property interest.

### **CANADA CUSTOMS AND REVENUE AGENCY**

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the Income Tax Act (Canada).

### **REPUTATIONAL RISK**

The consequence of reputational risk is a negative impact to the Company's public image, which may influence its ability to acquire future mining projects and retain or attract key employees. Reputational risk may arise under many situations including, among others, cyber-attacks and media crisis. Prior to acquire a project, the Company mitigates reputational risk by performing due diligence, which includes a review of the mining project, the country, the scope of the project and local laws and culture. Once the decision to participate in a mining project has been taken, the Company continues to assess and mitigate reputational risk through regular Board and Board's Committees reviews.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## THREE-MONTH PERIOD ENDED MARCH 31, 2023

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### CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the “annual filings”) of the Company for the year ended December 31, 2022.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.