

Cerro de Pasco Resources Announces Q3 2022 Financial Results

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MONTRÉAL, Nov. 29, 2022 - [Cerro de Pasco Resources Inc.](#) (CSE: CDPR) (OTCPK: GPPRF) (Frankfurt: N8HP) ("CDPR," or the "Company") announces third quarter 2022 financial and operating results. All currency is in Canadian dollars, unless otherwise stated. The Company's Financial Statements and Management's Discussion & Analysis ("MD&A") are available at www.pascoresources.com and www.sedar.com.

Summary

● Production in Q3 2022 was 9.9 million pounds of Zinc, 500,000 pounds of lead, and 32.6 thousand tonnes of silver. The Company's Q3 2022 operating results were positive \$4.0 million, or \$0.01 per share, compared to a net loss of \$7.3 million, or (\$0.03) per share, in Q3 2021. The Company's Q3 2022 operating results were positive \$4.0 million, or \$0.01 per share, compared to a net loss of \$7.3 million, or (\$0.03) per share, in Q3 2021. The Company's Q3 2022 operating results were positive \$4.0 million, or \$0.01 per share, compared to a net loss of \$7.3 million, or (\$0.03) per share, in Q3 2021.

● All-in sustaining cost ("AISC") (1) per pound of zinc produced in Q3 2022 was US\$1.77.

● Net loss for Q3 2022 was \$7.3 million or (\$0.03) per-share.

● Cash flow from operating activities for Q3 2022 was positive \$4.0 million, or \$0.01 per share, compared to a net loss of \$7.3 million, or (\$0.03) per share, in Q3 2021.

● On August 13, 2022, the Company announced plans to develop the newly discovered Pipe-2 North through an underground decline providing quick access from the Magistral to the higher-grade Santander Pipe at a much lower cost than prior to the discovery.

● In August a tender was launched to finance the investment required to develop the Santander Pipe mining area. An internal LOM production assessment yielded over 550,00 wet metric tonnes of zinc concentrates from the Santander Pipe, with no offtake commitments.

● Subsequent to the quarter-end: ● On November 8, 2022, the Company announced that its subsidiary H2-Sphere Aerospace Center (DLR) are on track to develop the previously announced process using the Company's tailings resource at Cerro de Pasco, Peru.

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Pb Head Grade	%	50.3	50.5	0 %
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Sales

Zn Payable sold	Mlbs	9.7	4.9	98 %
Pb Payable sold	Mlbs	0.8	0.4	100 %
Ag Payable sold	Moz	0.05	0.02	150 %
C1 Cash Cost ⁽¹⁾	US\$/lb	1.51	2.2	-31 %
AISC ⁽¹⁾	US\$/lb	1.77	2.4	-26 %

Finance

Average Zinc Price	US\$/lb	1.48	1.78	-17 %
Revenues, net	(000s) US\$	9,221	6,891	34 %
Cost of Goods Sold	(000s) US\$	11,068	9,016	23 %
Gross Profit	(000s) US\$	-1,209	-1,436	16 %
Sales and Admin Expenses	(000s) US\$	-638	-689	7 %
Adjusted EBITDA ⁽¹⁾	(000s) US\$	-1,847	-2,125	13 %
Other income (expense)	(000s) US\$	-75	-898	-92 %
EBITDA ⁽¹⁾	(000s) US\$	-1,922	-3,023	36 %
Depreciation	(000s) US\$	542	265	105 %
EBIT ⁽¹⁾	(000s) US\$	-1,380	-2,758	50 %

(1) The Company reports the non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted EBIT Adjusted net loss and cash flow, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC") to manage and evaluate its operating performance. See "Cautionary Note Regarding Non-IFRS financial reporting Measures" in this press release.

Santander Production

The Santander mine produced 9.9 million pounds of zinc, 0.5 million pounds of lead and 32.6 thousand ounces of silver, a significant improvement as compared to Q2, 2022 by 80% for zinc, 25% for lead and 50% for Silver. Mine production ramp-up plan delivered on production guidance, thus reaching 65% plant capacity as compared to 42% in the Q2, 2022. 100% Plant Capacity is considered at 2,500 tonnes/day and the Company anticipates continued production increases quarter over quarter in 2023.

As Santander was previously planned to shutdown operation in 2021, the previous operator did not perform any underground mine development since mid-2020. The Company is investing in an aggressive campaign of mine preparation and development with the aim to deliver on 100% of plant capacity production by Q4-2023.

The mine reached an average of 650m of development per month in Q3, 2022. This is below target of 750m and is due to below average equipment availability. For the month of October 2022, the mine has reached 750m of development. The mine is on track to reach 850m of development in November and 1000m of development by December 2022 as equipment availability issues are being resolved.

The Mill feed grade was 3.7% as compared to 3.3% in Q2, 2022. The grade was higher because of access to newly prepared mining areas on Magistral South level 4120. The Company has invested heavily in a short-term infill drilling with positive higher-grade intercepts at the lower levels of the deposit. Until mine development reaches stopes at that level, the Company anticipates continuing to encounter variability in grades through Q4, 2022 as a result of delays in mine preparation.

Metallurgical recovery of Zn, and Pb was 94% and 70.6% respectively. Concentrate quality was also within in commercial terms.

Q3, 2022 production met forecast in terms of mined and milled tons, feed grade, recovery Zn and Pb metal production, and volume of concentrate. The operation remains on track to meet forecasted 2022 Santander Production Guidance.

Zinc metal price observed during Q3 2022, with respect to Q2 2022, adversely impacted Revenues by US\$ 1,446,000 on final settlements corresponding to Sales realized during Q2 2022. Likewise, Q3 2022 Revenues assumes that Q4, 2022 metal prices will continue with its downward trend; thus, a negative provision of (US\$ 1,262,000) was registered as well, for final embedded derivatives.

Santander Operations Milestones & Activities:

- Year-to-date production of 22.5 million pounds of zinc, 1 million pounds of lead and 63 thousand ounces of silver.
- Year-to-date a total of 502,879 processed from Magistral deposit with average grades of 3.83% Zinc, 0.34% lead and 0.6 opt silver
- 650 meters of development per month in Q3,2022. 740 meters of development in October. Forecast for November is 850 meters, and December at 1000 meters.
- Q3, 2022 65% plant capacity as compared to 42% in the Q2, 2022. Q4,2022 target is 75%
- Q3, 2022 meets guidance/forecast in terms of mined and milled tons, feed grade, recovery Zn and Pb metal production, and volume of concentrate.

- Q3, 2022 C1 cost⁽¹⁾ of 1.51\$/lb of Zn. Costs are 10% below forecast. CDPR considers 2022 as a Santos Outlook year, as a result of several investments and changes such as: exploration drilling, new LOM plans, new mining contractor, investment in development of the underground mine. 2023 is key period for development and production of the Santander Pipe and extensions of the Mine for Santos Tailings Outlook, mineral processing for Santander pipe (validation), infrastructures required for the Santander Pipe.
- CDPR mine plan for Santander 2022-23 (TD (Jan-Oct):
 - US\$4.07 million in Mine Development
 - Accelerated development plan for Magistral and Pipe-North extension providing access to higher grade areas.
 - US\$3.88 million in Exploration Campaign
- An environmental permit to execute a 40-hole drilling program with CDPR's El Metalurgista concession was granted by the Ministry of Energy and Mines in August 2021. Santander's mine state safety license granted by the Quiulacocho Rural Community. The Company is going through multiple avenues at government level to obtain the necessary easement from Activos Mineros SAC, a state-owned entity for the Santander Pipe.
- Commence the Santander mine digital transformation program, improving internet communications, fiber optic and underground infrastructure, mine fleet control and administrative functions.
- Execute on drilling campaign:
 - Surface Plan 5km: Pujanca and Naty targets,
 - Underground Plan 15km: The Santander Pipe and extensions

Technical Information

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.

About Cerro de Pasco Resources

[Cerro de Pasco Resources Inc.](https://www.cerrodepascoresources.com/) is a mining and resource management company with unparalleled knowledge of the mineral endowment in the city of Cerro de Pasco and its surroundings. Initially, the Company will unlock the useful life of the mine and extend the concession areas in its Santander mining operation, applying the highest safety, environmental, social and governance standards. The key focus of the growth for the Company is on the development of the El Metalurgista mining concession, one of the world's largest surface mineralized resources, applying the latest techniques and innovative solutions to process tailings, extract metals and convert the remaining waste into green hydrogen and derivatives.

Forward-Looking Statements and Disclaimer

Certain information contained herein may constitute "forward-looking information" or "forward-looking statements" under Canadian securities legislation. Generally, forward-looking information can be identified by words such as "pro forma", "plans", "expects", "may", "should", "could", "will", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", or variations including negative variations thereof of such words and phrases that refer to certain actions, events or results that may, occur or be taken or achieved. Such forward-looking statements, including but not limited to statements relating to the expected development and operations of the Company and H2-SPHERE, involve risks, uncertainties and other factors which may cause the actual results to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others, risks related to the exploration, development and mining operations; impacts of macroeconomic developments as well as the impact of the COVID-19 pandemic; and any material adverse effect on the business, properties and assets of the Company or H2-SPHERE. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Company will not update any forward-looking statements or forward-looking information included herein, except as required by applicable securities laws.

Cautionary Note Regarding 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.

SOURCE [Cerro de Pasco Resources Inc.](#)

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