CERRO MINING CORP.

Consolidated Financial Statements

Year Ended January 31, 2021

Expressed in Canadian dollars

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cerro Mining Corp.

Opinion

We have audited the consolidated financial statements of Cerro Mining Corp. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2021 and 2020, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated any revenues from operations and has negative cash flow from operating activities during the year ended January 31, 2020 and, as of that date, the Company has an accumulated deficit of $50,378,350. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lonny Wong.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 31, 2021

CERRO MINING CORP.
Consolidated Statements of Financial Position
Expressed in Canadian dollars

	Note	January 31 2021 $	January 31, 2020 $
ASSETS			
Current			
Cash		278,355	3,674
Marketable securities	3	4,225	4,550
GST receivable		4,761	849
Total assets		287,341	9,073
LIABILITIES			
Current			
Trade payables and accrued liabilities	8	51,222	294,535
Loans payable	6	-	30,000
Total liabilities		51,222	324,535
EQUITY (DEFICIENCY)			
Share capital	7	42,228,051	41,734,214
Share-based payment reserve		9,263,967	9,263,967
Accumulated other comprehensive loss		(877,549)	(877,224)
Deficit		(50,378,350)	(50,436,419)
Total equity (deficiency)		236,119	(315,462)
Total liabilities and equity (deficiency)		287,341	9,073

Nature of operations and going concern (note 1)
Subsequent events (note 12)

Approved and authorized for issue by the board of directors on May 31, 2021:

"*Andrew Bowering*

Andrew Bowering, Director

"Anthony Paterson"

Anthony Paterson, Director

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

CERRO MINING CORP.
Consolidated Statements of Operations and Comprehensive Loss
Expressed in Canadian dollars

Year ended January 31,	Note	2021 $	2020 $
Expenses			
Exploration and evaluation costs	4	2,765	35,211
General and administrative		(517)	708
Management and consulting fees	8	18,304	80,147
Professional fees		52,951	25,257
Transfer agent and filing fees		17,099	22,589
		(90,602)	(163,912)
Other income (expense)			
Financing costs		(3,245)	(1,043)
Foreign exchange (gain) loss		(4,869)	24,629
Gain on settlement of debt	8	24,006	-
Gain on sale of subsidiaries	5	132,779	-
		148,671	23,586
Income (loss) for the year		58,069	(140,326)
Items that will not be reclassified to income (loss):			
Foreign exchange translation loss		-	(1,774)
Unrealized gain (loss) on marketable securities		(325)	650
Comprehensive income (loss) for the year		57,744	(141,450)
Income (loss) per share, basic and diluted		0.00	(0.02)
Weighted average common shares outstanding, basic and diluted		14,375,077	7,243,929

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

CERRO MINING CORP.
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	Share Capital			Accumulated		
	Number of Shares	Common Shares	Share-based Payment Reserve	Other Comprehensive Loss	Deficit	Equity (Deficiency)
		$	$	$	$	$
Balance - January 31, 2019	7,243,929	41,734,214	9,263,967	(876,100)	(50,296,093)	(174,012)
Comprehensive loss	-	-	-	(1,124)	-	(1,124)
Loss for the year	-	-	-	-	(140,326)	(140,326)
Balance - January 31, 2020	7,243,929	41,734,214	9,263,967	(877,224)	(50,436,419)	(315,462)
Issuance of common shares for cash	10,000,000	500,000	-	-	-	500,000
Share issuance costs		(6,163)	-	-	-	(6,163)
Unrealized loss on marketable securities	-	-	-	(325)	-	(325)
Income for the year	-	-	-	-	58,069	58,069
Balance - January 31, 2021	17,243,929	42,228,051	9,263,967	(877,549)	(50,378,350)	236,119

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

CERRO MINING CORP.
Consolidated Statements of Cash Flows
Expressed in Canadian dollars

Year ended January 31,	2021 $	2020 $
Cash provided by (used in):		
Operating activities		
Income (loss) for the year	58,069	(140,326)
Items not involving cash:		
Gain on sale of subsidiaries	(132,779)	-
Gain on settlement of debt	(24,006)	-
Finance costs	3,245	1,043
Changes in non-cash working capital:		
GST receivable	(3,912)	(395)
Prepaid expenses	-	20,926
Trade payables and accrued liabilities	(89,773)	70,960
	(189,156)	(47,792)
Financing activities		
Shares issued for cash	500,000	-
Share issuance costs	(6,163)	-
Loans received	25,000	30,000
Loans repaid	(55,000)	-
	463,837	30,000
Effect of foreign exchange rate changes on cash	-	(1,774)
Change in cash	274,681	(19,566)
Cash, beginning of year	3,674	23,240
Cash, end of year	278,355	3,674

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

1. Nature Of Operations And Going Concern

Cerro Mining Corp. ("Cerro" or the "Company") was incorporated pursuant to the *Business Corporations Act* of British Columbia and is an exploration stage company whose shares are listed on the NEX board of the TSX Venture Exchange (the "TSXV"). The Company's head office and principal place of business is 1030 West Georgia Street, Suite 1507, Vancouver, BC, V6E 2Y3.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended January 31, 2021, the Company has not generated any revenues and incurred negative cash flow from operations. As at January 31, 2021, the Company has working capital of $236,119 (2020 – working capital deficiency of $315,462), and an accumulated deficit of $50,378,350 (2020 - $50,436,419). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The covid-19 pandemic has had adverse impacts on the Canadian and global economies, disruptions of financial markets and created uncertainty regarding the Company's future operations. The covid-19 pandemic could adversely affect the ability of the Company to fund and enter into a transaction to acquire business assets. The extent to which the covid-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments which are highly uncertain and cannot be predicted. Such future developments include but are not limited to the effectiveness of vaccine programs, new covid-19 variants and remedial actions and stimulus measures adopted by governments.

Even after the covid-19 pandemic subsides, the Company may experience adverse impacts to its business as a result of any economic recession or depression that occurs. The Company cannot reasonably estimate the impact of the pandemic on its business, liquidity, capital resources, or financial results.

2. Significant Accounting Policies

(a) Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its controlled subsidiary Minera de Oro Arequipa SAC and, while owned, its controlled subsidiaries Compania Minera Cerro El Diablo Limitada and Sociedad Minera Capella Limitada (note 5). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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. The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

- Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, also liquidity of its assets, current working capital balance, and future commitments of the Company.

- Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal years:

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Foreign Currency Translation

The Company's presentation currency is the Canadian dollar. Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the consolidated statement of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Mineral Interests

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets and expenditures

Once the legal right to explore a property has been acquired, costs directly related to the acquisition of the exploration and evaluation assets are capitalized, on an area-of-interest basis. Subsequently, the exploration and evaluation assets are carried at cost, less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred and included in the consolidated statement of operations.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development costs". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to property carrying values.

2. Significant Accounting Policies (continued)

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates. The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

2. Significant Accounting Policies (continued)

(i) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Marketable securities	FVOCI
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVOCI

Financial assets are classified as FVOCI when the financial asset is held within a business model whose objective is achieve by collecting the contractual cash flows as well as selling financial assets.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

2. Significant Accounting Policies (continued)

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

<u>Financial Liabilities and Equity Instruments</u>

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2. Significant Accounting Policies (continued)

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority

(k) Income (Loss) Per Share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be antidilutive. As at January 31, 2021, the Company had 10,000,000 (2020 – nil) potentially dilutive warrants outstanding.

(l) Comprehensive Loss

Comprehensive loss is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the consolidated statement of operations. The Company’s only component of comprehensive loss is unrealized holding gains and losses on marketable securities.

Expressed in Canadian dollars

2. Significant Accounting Policies (continued)

(m) Share-based Payments

When equity settled share purchase options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of operations over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of operations over the remaining vesting period.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

When a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(n) New and Amended Standards and Interpretations Not Yet Adopted

There are no pending standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

3. Marketable Securities

	January 31, 2021			January 31, 2020		
	Number	Cost $	Fair Value $	Number	Cost $	Fair Value $
Great Atlantic Resources Corp. (TSXV - GR)	6,500	130,000	4,225	6,500	130,000	4,550

Expressed in Canadian dollars

4. Exploration and Evaluation Assets

Dorado Properties, Chile

The Company owned a 100% interest in the Dorado properties located in the Copiapo area of northern Chile. Part of the Dorado properties includes three exploration claims, acquired pursuant to a third-party option agreement with a Chilean company, which it disposed of during the period as part of the disposal of its Chilean subsidiaries for total consideration of $1 – refer to note 5. Due to considerable uncertainty regarding the outlook for the Dorado Properties, the Company has expensed exploration costs as incurred as set out below:

Year ended January 31,	2021 $	2020 $
Licenses, taxes and claim fees	-	15,401
Office and storage fees	2,765	19,810
	2,765	35,211

5. Sale of Chilean Subsidiaries

On March 10, 2020, the Company entered into an agreement for the sale of its Chilean subsidiary Compania Minera Cerro El Diablo and its subsidiary Sociedad Minera Capella Limitada (collectively “CMCD”). CMCD has an interest in the Dorado mineral properties located in the Copiapo area of northern Chile. Consideration for the purchase of CMCD by the purchaser was $1. The agreement received the final approval from the TSXV on March 27, 2020. Upon the sale of CMCD, the Company recorded a gain on sale of $132,779:

	$
Proceeds from sale	1
Carrying value of:	
Assets	-
Liabilities	(132,778)
Net liabilities	(132,778)
Gain on sale	132,779

Expressed in Canadian dollars

6. Loans Payable

	January 31, 2021 $	January 31, 2020 $
Loan of $15,000 from a former director of the Company that did not bear interest, was unsecured and due on demand	-	15,000
Loan of $15,000 from the CEO and director of the Company that bore interest at 10% per year, was unsecured and due on demand	-	15,000
Loan of $25,000 from a director of the Company that was unsecured and due on demand. The Company agreed to pay a placement fee of $2,500.	-	-
	-	30,000

In September 2020, the Company repaid all loans outstanding. The directors that had loaned funds to the Company waived interest and a placement fee otherwise payable.

7. Share Capital

Authorized: Unlimited number of common shares without par value

On May 27, 2019, the Company completed a share consolidation of common shares on the basis of 2 pre-consolidation common shares for 1 post-consolidated common share. All share amounts have been retroactively restated for all periods presented.

On May 15, 2020, the Company closed a non-brokered private placement and issued 10,000,000 units at a price of $0.05 per unit for proceeds of $500,000. Each unit comprised one common share and one share purchase warrant exercisable until May 15, 2021 at an exercise price of $0.065 per share. The Company incurred share issuance costs of $6,163 relating to the private placement.

Warrants

Warrant transactions and the number of warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, January 31, 2019	5,000,000	0.20
Expired	(5,000,000)	(0.20)
Balance, January 31, 2020	-	-
Issued	10,000,000	0.065
Balance, January 31, 2021	10,000,000	0.065

10,000,000 warrants exercisable at $0.065 per common share expire on May 15, 2021.

Expressed in Canadian dollars

8. Related Party Transactions

The Company incurred key management and board of directors compensation as follows:

Year ended January 31,	2021 $	2020 $
Management fees	13,700	24,000

During the year ended January 31, 2021, the amount of $7,700 (2020 - $nil) was paid for management services provided by a company controlled by the Company's CFO. During the year ended January 31, 2021, the amount of $6,000 (2020 - $24,000) was incurred to a company controlled by the President and CEO of the Company for management fees.

During the year ended January 31, 2021, the Company settled a $30,000 liability due to its former President and CEO for payment of $12,000 resulting in a gain on settlement of debt of $18,000. As at January 31, 2021, trade payable included $nil (2020 - $24,000) due to the Company's former President and CEO.

The Company was also indebted to directors and a former director of the Company under loan agreements as described in note 6. In the current period, the Company incurred interest of $745 (2020- $666) to the CEO and director of the Company and a placement fee of $2,500 (2020 - $nil) to a director of the Company. The loans were repaid in September 2020 and the parties waived payment of interest and the placement fee resulted in a gain on settlement of $6,006.

In the May 2020 private placement (note 7), the Company's CEO and his wife each subscribed for 1,000,000 common shares for proceeds of $50,000.

9. Financial Instruments and Risk Management

(a) Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at January 31, 2021 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, January 31, 2021 $
Assets:				
Cash	278,355	–	–	278,355
Marketable securities	4,225	–	–	4,225
	282,580	–	–	282,580

Expressed in Canadian dollars

9. Financial Instruments and Risk Management (Continued)

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, January 31, 2020 $
Assets:				
Cash	3,674	–	–	3,674
Marketable securities	4,550	–	–	4,550
	8,224	–	–	8,224

The fair values of other financial instruments, which include accounts payable and accrued liabilities and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consists primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 90 days. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

(d) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company currently operates only in Canada but previously had operations in Chile and Peru. The Company is exposed to foreign exchange risk due to fluctuations in the Peruvian sol as they affect residual liabilities. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk however management of the Company believes the exposure to foreign currency fluctuations is not significant.

(e) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash since the outstanding debt instruments have a fixed interest rate. Cash generates interest based on market interest rates. At January 31, 2021 and 2020, the Company was not subject to significant interest rate risk.

Expressed in Canadian dollars

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, marketable securities, and equity comprising issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended January 31, 2020.

11. Income Tax

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

Year ended January 31,	2021 $	2020 $
Income (loss) for the year	58,069	(140,326)
Statutory rate	27.00%	27.00%
Expected income tax provision (recovery)	15,679	(37,888)
Permanent differences and other	(3,259,870)	6,720
True up of prior year differences	(1,478)	126,598
Change in unrecognized tax asset	3,245,669	(95,430)
Deferred income tax provision	-	-

	2021 $	2020 $
Non-capital losses carried forward	7,284,782	2,208,724
Capital losses carried forward	-	1,312
Marketable securities	236,459	236,021
Share issuance costs	1,332	-
Exploration and evaluation assets	705,541	2,536,388
	8,228,114	4,982,445
Unrecognized tax assets	(8,228,114)	(4,982,445)
Deferred tax assets	-	-

Expressed in Canadian dollars

11. Income Tax (continued)

	Loss carry-forwards $
January 31, 2026	93,812
January 31, 2027	683,966
January 31, 2028	1,370,600
January 31, 2029	1,419,869
January 31, 2030	1,264,547
January 31, 2031	1,225,443
January 31, 2032	891,217
January 31, 2033	563,255
January 31, 2034	302,898
January 31, 2035	138,992
January 31, 2036	73,954
January 31, 2037	11,580
January 31, 2040	129,744
January 31, 2041	18,810,799
	26,980,676

12. Subsequent Events

Warrant Exercises

In May 2021, all holders of warrants from the May 2020 private placement exercised their warrants to purchase 10,000,000 common shares of the Company at an exercise price of $0.065 per share, resulting in gross proceeds of $650,000 and the issuance of 10,000,000 common shares of the Company. Included in this issuance is 2,000,000 common shares for proceeds of $130,000 to the Company's CEO and his wife.

CAIR by David Cosmetics Inc.

On February 27, 2021, the Company entered into a non-binding letter of intent with CAIR by David Cosmetics Inc. ("CbD"), a Los Angeles-based company focused on a premium hair care and pet care products business.

The Company proposes to acquire all of the issued and outstanding common shares of CbD (the "CbD Shares") by way of a three-cornered amalgamation (the "Transaction") that will permit the Company to relist its common shares on Tier 2 of the TSXV. The resulting entity from the Transaction will continue the business of CbD. The business of the resulting Issuer will be the business of CbD. On closing of the Transaction, Cerro will change its name to CAIR by David Cosmetics Inc.

In connection with the Transaction, CbD completed an offering of unsecured convertible debentures (the "CbD Debentures") which raised $6,300,000. The principal amount of the CbD Debentures will bear interest at a rate of 8% per year payable annually, and the CbD Debentures will become due and payable two years from the date of issuance. Prior to closing of the Transaction, the CbD Debentures will be converted into CbD shares on the basis of $0.35 for each CbD share. The holders of the CbD Debentures are therefore able to receive up to 18,000,000 CbD shares on conversion.

12. Subsequent Events (continued)

In May 2021, the Company completed an offering of subscriptions receipts raising gross proceeds of $10,109,000 by the issuance of 20,218,000 subscription receipts at a price of $0.50 per subscription receipt (the "Concurrent Financing"). The gross proceeds of the Concurrent Financing have been deposited into escrow with Computershare Trust Company of Canada and will be held in escrow pending satisfaction or waiver of escrow release conditions including, among others, receipt of approval by the TSXV and approval by Cerro's disinterested shareholders of the acquisition by Cerro of all of the issued and outstanding common shares of CbD by way of the three-cornered amalgamation described above. When the escrow release conditions have been satisfied, the subscription receipts will result in the issuance of an additional 20,218,000 common shares of the Company.

In connection with the closing of the initial tranche of the Concurrent Financing, the Company has agreed to pay finder's fees totalling $263,670 which is equal to 6% of the amount of proceeds raised in the Concurrent Financing from purchasers introduced to Cerro by the finders. The finder's fees will be paid when the escrow release conditions have been met and the escrowed funds have been released to Cerro.

As compensation for the introduction of CbD to Cerro by the Finder, the Company will issue to the Finder 1,750,000 common shares at closing of the Transaction. The Finder is not a Non-Arm’s Length Party (as such term is defined in the policies of the TSXV. The finder’s fee is subject to approval of the TSXV.

The Transaction is considered a related party transaction because the Company’s CEO is also a shareholder, director and the CFO of CbD and a director of the Company, is a shareholder of CbD.

Completion of the Transaction is subject to finalization of a definitive agreement, approval of the Transaction by the TSXV, and a number of conditions, including customary due diligence, preparation of a management information circular and approval by the shareholders of Cerro (if required by the TSXV and CbD).

The Transaction will constitute a reverse takeover transaction and a reactivation of Cerro under the policies of the TSXV. Upon completion of the Transaction, the resulting issuer shares will be listed on the TSXV as a Tier 2 industrial issuer.