Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of December 31, 2019 and 2018

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2019 (unaudited) and as of December 31, 2018 (audited)

	Note	December 31, 2019	December 31, 2018
		US$(000)	US$(000)
Assets			
Current Assets			
Cash and cash equivalents	5	33,828	62,950
Accounts receivable Trade, net		22,466	25,363
Accounts receivable from subsidiaries and affiliates		13,693	16,479
Accounts receivable Others		73,906	168,597
Other financial assets	7	5,416	640
Inventories, net	6	36,709	64,640
Asset available for sale	4	297,527	-
Total current assets		483,545	338,669
Non-current Assets			
Other accounts receivable		7,990	6,992
Financial investments		193,794	53,305
Property, plant and equipment, net	8	699,253	978,205
Mining exploration and evaluation cost, net	9	780,122	840,067
Inventories, net	6	-	7,752
Total non-current assets		1,681,159	1,886,321
Total assets		2,164,704	2,224,990
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		8,448	34
Financial obligations	10	224,476	208,665
Trade accounts payable		178,175	202,544
Other accounts payable	7	64,044	96,969
Other financial liabilities		53,407	48,218
Liabilities available for sale	4	167,025	-
Total current liabilities		695,575	556,430
Non-current Liabilities			
Financial obligations	10	576,322	587,764
Provision for closing of mining units and communities		152,324	205,515
Deferred income tax liability	11	142,989	199,557
Provision for contingencies		26,765	27,571
Total non-current liabilities		898,400	1,020,407
Total liabilities		1,593,975	1,576,837
Equity			
Issued capital	12	1,134,300	1,134,300
Treasury stock		(60,926)	(61,285)
Other capital reserves		21,064	1,055
Capital reserve		(173,217)	(172,801)
Revaluation		-	30,307
Unrealized gains (loss)		(5,918)	1,121
Retained earnings		(344,574)	(284,544)
Total net stockholders' equity		570,729	648,153
Total liabilities and net stockholders' equity, net		2,164,704	2,224,990

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Income Statement (unaudited)

For the period from January 1, to December 31, 2019 and 2018

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2019	2018	2019	2018
	US$(000)	US$(000)	US$(000)	US$(000)
Sales, Note 13	207,307	173,037	743,578	775,102
Cost of Sales, Note 14	(161,662)	(151,771)	(596,403)	(546,383)
Gross Income	45,645	21,266	147,175	228,719
Operating income (expenses)				
Administrative expenses	(30,431)	(21,175)	(58,275)	(61,877)
Selling expenses	(6,465)	(7,644)	(23,199)	(27,185)
Other income	54,974	137,410	88,611	166,257
Other expenses	(127,751)	(91,684)	(202,389)	(146,331)
Commercial Agreement - Cerro, Óxidos and Remediadora Transaction	48,933	-	48,933	-
	(60,740)	16,907	(146,319)	(69,136)
Operating income	(15,095)	38,173	856	159,583
Financial income (expenses)				
Financial income, Note 15	264	205	19,017	601
Financial expenses, Note 15	(13,231)	(12,484)	(48,386)	(41,354)
Exchange difference, net	2,430	(2,318)	1,113	(4,365)
Total other income (expenses), net	(10,537)	(14,597)	(28,256)	(45,118)
Income before income tax	(25,632)	23,576	(27,400)	114,465
Income tax, Note 11(b)	(27,406)	(35,513)	(42,928)	(85,090)
Net income	(53,038)	(11,937)	(70,328)	29,375
Net earnings per share	(0.014)	(0.003)	(0.018)	0.008
Weighted average of outstanding shares (in thousands)	3,857,618	3,857,668	3,857,618	3,857,668

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Comprehensive Income (unaudited)

For the period from January 1 to December 31, 2019 and 2018

	For the cumulative period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2019	**2018**	**2019**	**2018**
	US$(000)	US$(000)	US$(000)	US$(000)
Net income	(53,038)	(11,937)	(70,328)	29,375
Others comprehensive income (loss):				
Net change in gains (losses) unrealized on derivate instruments and Financial investments	(1,272)	2,136	(9,985)	30,684
Income tax	375	(630)	2,946	(9,052)
Other comprehesive income (loss) net of income tax	(897)	1,506	(7,039)	21,632
Total comprehesive income	**(53,935)**	**(10,431)**	**(77,367)**	**51,007**

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity (unaudited)

For the period from January 1 to December 31, 2019 and 2018

	Capital Issued	Treasury stock	Other capital reserves	Capital reserve	Revaluation	Unrealized gains (loss)	Retained earnings	Total
	US$(000)	US$(000)	US$(000)		US$(000)	US$(000)	US$(000)	US$(000)
Balances as of January 1, 2018	**1,134,300**	**(61,222)**	**1,055**	**(174,320)**	**30,307**	**(20,511)**	**(297,286)**	**612,323**
	-	-	-	-	-	-	-	-
Results integrals								
Net Income of year	-	-	-	-	-	-	29,375	29,375
Other results integrals of year	-	-	-		-	21,632	-	21,632
Total results integrals of year	-	-	-	-	-	21,632	29,375	51,007
Distribution of dividends	-	-	-	-	-	-	(16,641)	(16,641)
Adjusment	-	(63)	-	1,519	-	-	8	1,464
Balances as of December 31, 2018	**1,134,300**	**(61,285)**	**1,055**	**(172,801)**	**30,307**	**1,121**	**(284,544)**	**648,153**
Balances as of January 1, 2019	**1,134,300**	**(61,285)**	**1,055**	**(172,801)**	**30,307**	**1,121**	**(284,544)**	**648,153**
Results integrals								
Net Income of year	-	-	-	-	-	-	(70,328)	(70,328)
Reserva Legal	-	-	20,009	-	-	-	(20,009)	-
Other results integrals of year	-	-	-	-	-	(7,039)	-	(7,039)
Total results integrals of year	-	-	20,009	-	-	(7,039)	(90,337)	(77,367)
Operation low of Terminales Portuarios Chancay S.A. (Today Cosco Shipping Ports Chancay Perú S.A.)	-	-	-	-	(30,307)	-	30,307	-
Adjusment	-	359	-	(416)	-	-	-	(57)
Balances as of December 31, 2019	**1,134,300**	**(60,926)**	**21,064**	**(173,217)**	**-**	**(5,918)**	**(344,574)**	**570,729**

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Cash Flows Statement (unaudited)

For the period from January 1 to December 31, 2019 and 2018 (Note 2C)

	Note	December 31, 2019	December 31, 2018
		US$(000)	US$(000)
Operating activities			
Collection of sales proceeds		831,377	909,295
Refund of the credit balance in favor of the exporter and taxes		29,834	20,456
Payments to suppliers and third parties		(525,281)	(500,288)
Payments to workers		(106,150)	(103,668)
Income tax payments		(10,538)	(32,604)
Royalties		(8,506)	(16,827)
Expenses for coverage		2,060	(16,870)
Cash flows from operating activities, net		**212,795**	**259,495**
Investing activities			
Other cash receipts related to the investment activity		-	1,689
Acquisition of subsidiary in previous years		(475)	(24,097)
Disbursements for the acquisition of mining rights, property, plant and equipment		(89,088)	(80,461)
Disbursements for exploration and development activities		(82,043)	(114,522)
Cash flows (used in) investment activities, net		**(171,606)**	**(217,391)**
Financing activities			
Collection corresponding to:			
Obtaining financial obligations		290,000	223,515
Obtaining other financial liabilities		37,840	-
Payments corresponding to:			
Amortization of financial obligations		(334,447)	(244,439)
Amortization of overdrafts and other financial liabilities		(24,177)	(9,606)
Interest payment		(39,479)	(35,545)
Dividends		(48)	(14,908)
Cash flows (used in) from financing activities, net		**(70,311)**	**(80,983)**
Increase (Decrease) in cash and cash equivalents for the period		(29,122)	(38,879)
Cash and cash equivalents at the beginning of the period		62,950	101,829
Cash and cash equivalents at the end of the period	5	**33,828**	**62,950**

The accompanying notes are an integral part of this statement

1. Identification and economic activity

(a) Identification –

Volcan Compañía Minera S.A.A. (hereinafter "the Company") is a subsidiary of Glencore AG, which is a subsidiary of Glencore Plc., a company domiciled in Switzerland, hereinafter the Parent, owner of 63% of common class A voting shares and an economic interest of 23%, excluding treasury shares. The Company was incorporated on February 1, 1998 in Lima, Peru.

The shares comprising the capital stock of the Company are listed in the Stock Exchange of Lima.

The Company is mainly engaged in the exploration and operation of mining claims and the extraction, concentration, treatment and commercialization of polymetallic minerals. The economic activity of Subsidiaries is explained in paragraph (c). The Company and Subsidiaries engaged in the mining sector operate the mining units of Yauli, Animon, Alpamarca, Cerro and Oxidos in the departments of Cerro de Pasco, Junín and Lima. The Subsidiaries engaged in the electric power generation business operate in the department of Lima.

The Company's Management addresses and supervises all operations of the economic group.

The legal domicile, where the administrative offices of the Company are located, is Av. Manuel Olguin No. 375, Santiago de Surco, Lima.

(b) Approval of consolidated financial statements –

The consolidated financial statements as of December 31, 2019 were approved by the Company's Management on February 17, 2020. The consolidated financial statements as of December 31, 2018 were approved by the Shareholders' Meeting on March 15, 2019.

(c) The consolidated financial statements include the financial statements from the following subsidiaries:

Consolidated Subsidiaries and economic activity	Direct and indirect interest in ownership December 31, 2019	December 31, 2018	Domicile
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Perú
Óxidos de Pasco S.A.C. (4)	100.00	100.00	Perú
Empresa Administradora de Cerro S.A.C. (4)	100.00	100.00	Perú
Empresa Explotadora de Vinchos Ltda. S.A.C.	100.00	100.00	Perú
Minera Aurífera Toruna S.A.C. (1)	80.00	80.00	Perú
Minera San Sebastián AMC S.R.L.	100.00	100.00	Perú
Compañía Minera Vichaycocha S.A.C.	100.00	100.00	Perú
Electric power generation:			
Hidroeléctrica Huanchor S.A.	100.00	100.00	Perú
Empresa de Generación Eléctrica Rio Baños S.A.C. (2)	100.00	100.00	Perú
Compañía Hidroeléctrica Tingo S.A. (3)	100.00	100.00	Perú
Public services from private investment:			
Terminales Portuarios Chancay S.A. (hoy Cosco Shipping Ports Chancay Perú S.A.)	-	100.00	Perú
Roquel Global S.A.C.	100.00	100.00	Perú
Investments in general:			
Corporación Logística Chancay S.A.C.	100.00	100.00	Perú
Remediadora Ambiental S.A.C. (4)	100.00	100.00	Perú
Compañía Industrial Limitada de Huacho S.A.	96.41	96.41	Perú
Empresa Minera Paragsha S.A.C.	100.00	100.00	Perú

(1) These are, in turn, subsidiaries of Empresa Minera Paragsha S.A.C.
(2) This is, in turn, a subsidiary of Hidroeléctrica Huanchor S.A.
(3) This is, in turn, a subsidiary of Compañía Minera Chungar S.A.C.
(4) Subsidiaries classified as assets available for sale.

Compañía Minera Chungar S.A.C.

This company has two mining units, Animon and Alpamarca, located in the department of Pasco and is engaged in the exploration, development and operation of mineral deposits, basically with zinc, copper and lead contents. The useful life determined based on the reserves and resources of its mining units of Animon and Alpamarca is 19 years until 2037 (unaudited).

Óxidos de Pasco S.A.C.

This entity is now engaged in the treatment of oxidized minerals at a leach pad. The useful life determined based on reserves and resources of oxidized minerals is 9 years until 2027 (unaudited).

Empresa Administradora de Cerro S.A.C.

This company is engaged in the exploration, development and operation of mineral deposits, basically with zinc and lead contents. Now, the Subsidiary processes stockpiles since its mining operations have been stopped. This company develops its activities in its mining unit Cerro. The useful life determined based on the reserves and resources of its mining unit Cerro is one year until 2019 (unaudited).

Empresa Explotadora de Vinchos Ltda. S.A.C.

This company does not perform operations since 2015 because Management decided to redirect its mining activities in other Subsidiaries of the Company. As from 2019, Management decided to conduct explorations to reconsider the potential of its deposit and then develop and operate it provided it is viable and profitable; otherwise, it will enter into a simple reorganization process in the short term and will be absorbed by an operating subsidiary of the Company in order to search for synergies for the development of its projects.

Empresa Minera Paragsha S.A.C.

This company was incorporated for exploration, operation, assignment and mining usufruct; however, its main activity is now the purchase and sale of investments in equity instruments. This company has shares of the Company and Cementos Polpaico S.A.

Management considers that they will continue receiving financial support from the Company due to its strategic importance.

Minera Aurífera Toruna S.A.C., Minera San Sebastián AMC S.R.L. and Compañía Minera Vichaycocha S.A.C.

These companies were incorporated for the exploration, development and operation of mineral deposits and their main activity is the exploration of their mining concessions through the financing of the Company and Subsidiaries. No activities have been developed in 2018.

The Company’s Management is reevaluating potential projects or the option of a simple reorganization in order to search for synergies for the development of their projects.

Hidroeléctrica Huanchor S.A.C.

This company is engaged in electric power generation and has the hydroelectric power plants of Huanchor, Tamboraque I and II.

Empresa de Generación Energética Rio Baños S.A.C.

This company is engaged in electric power generation and has the hydroelectric power plants of Baños V and Rucuy. The hydroelectric power plant of Rucuy has stopped its operations since March 2017 as a consequence of El Niño phenomenon, which caused issues in the penstock and the transmission line. On June 1, 2019, it resumed operations.

Compañía Hidroeléctrica Tingo S.A.

This company is engaged in the operation and maintenance of gen-sets and electrical energy transmission systems. It has the hydroelectric power plant of Tingo of 1.24 MW and 82 km of transmission lines of 22.9 and 50 kv.

Terminales Portuarios Chancay S.A. (today Cosco Shipping Ports Chancay Perú S.A.)

This company is now at the development stage and will be engaged in port activities. Its objective is the development, construction, implementation, commissioning and operation of a multi-purpose port at Chancay Bay, in the northern area of Lima. The construction of the port started in 2017 and it is estimated to commence operations in 2022.
On May 13, 2019, it ceased to be a subsidiary of the Company.

Roquel Global S.A.C.

This company is engaged in real estate development in order to perform port and logistics activities in relation to the Chancay Port. The pre-investment stage will commence in 2019. The financial statements of this subsidiary are presented consolidated with those of the Company since 2017.

Corporación Logística Chancay S.A.C.

Corporación Logística Chancay S.A.C. was incorporated as subsidiary in 2017 and its purpose is to engage in real estate development and port and logistics activities.

Compañía Industrial Limitada de Huacho S.A.

This company is mainly engaged in real estate activities. The financial statements of this subsidiary are presented consolidated with those of the Company since 2017.

Remediadora Ambiental S.A.C.

This company is engaged in environmental consultancy, environmental studies and acquisition of properties. The financial statements of this subsidiary are presented consolidated with those of the Company since 2018.

(d) Subscription and Investment Agreement between Volcan Compañía Minera S.A.A. and Cosco shiping Ports –

On January 23, 2019, the Company executed, with the company of the People's Republic of China, Cosco Shipping Ports Limited (CSPL) and its subsidiary Cosco Shipping (Chancay) Ports Limited (CSPL SPV), with the participation of Terminales Portarias Chancay S.A. (today, Cosco Shipping Ports Chancay Perú SA), a subsidiary of the Company as of December 31, 2018; the Subscription and Investment Agreement and a shareholders agreement under which CSPL, through its subsidiary CSPL SPV, became shareholder of TPCH with an interest of 60% of the shares representing the share capital, once the closing date occurs, which is subject to the verification of the compliance with the "Antitrust" law, provided by the corresponding international authorities of Ukraine and China.

The consideration for the transaction is US $ 225,000, through a capital increase in Terminales Portuarios Chancay SA (today Cosco Shipping Ports Chancay Perú S.A.). As such, the Company shall hold the remaining 40% interest in the share capital of Terminales Portuarios Chancay S.A. (today Cosco Shipping Ports Chancay Perú S.A.)

The infrastructure project is located 50 km north of the Port of Callao. It consists of a multipurpose port terminal that will have two specialized terminals: (i) a container terminal that will include 11 docks for this type of cargo and (ii) a bulk cargo terminal, general cargo and rolling cargo that will have four docks. In a first stage, it will be developed in an area of 141 hectares and with an investment of US $ 1,300,000.

In May 2019 Cosco Shipping Ports Limited became a new shareholder of Terminals Ports Chancay (today Cosco Shipping Ports Chancay Peru S.A.), which holds a 60% interest in such company. This transaction started a new stage in the development of the Chancay port project, which represents a great infrastructure project and a magnificent economic development opportunity for the country, as it will be part of China's new connectivity network with the rest of the world with maritime and land corridors. This transaction representated a financial gain of marítimos y terrestres. Esta transacción generó una ganancia financiera de US$18.3 MM, que luego de gastos e impuestos tuvo un impacto excepcional neto de US$6.9 MM.

The financial statements as of April 30, 2019 from Terminales Portuarios chancay S.A. (today Cosco Shipping Ports Chancay Perú S.A.) were the following:

	TO 30.04.2019
	US$000
Assets	
Cash and cash equivalents	1,024
Other accounts receivable	61
Other accounts receivable long term	2,455
Property, plant and equipment, net	102,462
Mining exploration and evaluation cost, net	80,295
Total Assets	**186,297**
Currents	
Trade accounts payable	201
Accounts payable to subsidiaries and affiliates	11,888
Other accounts payable	474
Deferred income tax liability	42,135
Total current	**54,698**
Equity	
Issued capital	83,971
Revaluation	30,307
Retained earnings	17,433
Results of the exercise	(112)
Total Equity	**131,599**
Total liabilities and net stockholders' equity, net	**186,297**
Results of the exercise	
Administrative expenses	(169)
Exchange difference, net	20
Expenses income tax	37
	(112)

(e) Bond issuance –

At the Shareholders' Meeting held on November 4, 2011, it was approved to issue obligations for up to US$1,100,000 thousand or its equivalent amount in soles, to be placed in the international and/or local market, with a first tranche of up to US$600,000 thousand in order to fund mining and energy projects in the next five years.

At the Board of Directors' meeting of the Company held on January 16, 2012, the issuance of bonds was approved under Rule 144A and Regulation S of the U.S. Securities Act of the United States of America, for up to US$600,000 thousand.

On February 2, 2012, bonds known as "Senior Notes Due 2022" were issued and placed in its entirety in the international market for US$600,000 thousand, at an annual rate of 5.375%, maturing in 10 years. Interests will be paid in semiannual installments from August 2, 2012 to February 2, 2022. Compliance covenants were not established for this obligation.

Those funds were mainly allocated for growth projects of its Subsidiaries: i) Oxidos de Pasco S.A.C., for the development of the silver oxide plant and ii) Compañía Minera Alpamarca S.A.C. (now Compañía Minera Chungar S.A.C.), for the development of the Alpamarca mining unit – Pallanga River; having invested in them for camps, tailings facilities, concentration plant and mine development. In addition, funds were allocated for the acquisition of the hydroelectric power plant Huanchor.

2. Significant accounting policies

Significant accounting policies used by the Company and Subsidiaries for the preparation of the consolidated financial statements are as follows:

(a) Statement of compliance and basis of preparation and presentation –

The accompanying consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or by the former Standing Interpretations Committee (SIC), adopted by the IASB. Historical cost basis was applied for these purposes, except those items measured at fair value, as further explained in the section of significant accounting policies (letter (d)).

Fair value is the price that should be received when selling an asset, or paid when transferring a liability in an organized transaction between third parties at a measurement date, regardless of the fact that such price is directly observable or estimable through another valuation technique. When estimating the fair value of an asset or liability, the Company considers the characteristics of such asset or liability in the event that market participants would want to consider them when setting a price at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined over such basis, except share-based payment transactions (which are within the scope of IFRS 2), lease transactions (within the scope of IAS 17), and measurements somehow similar to fair value, but are not fair value, such as net realizable value in IAS 2, or value in use in IAS 36.

Additionally, for financial reporting purposes, fair value measurements are categorized in three levels: 1, 2 or 3; depending on the degree in which the information for fair value measurements are observable, and their significance to fair value measurement in its entirety, as described below:

Level 1: Input is quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company may access to at the measurement date.

Level 2: Input is different from quoted prices included in Level 1, which are observable for the asset or liability, whether directly or indirectly.

Level 3: Input is not observable for the asset or liability. Non-observable input data will be used to measure fair value provided such relevant observable input data are not available, considering situations where there is low market activity, if any, for the asset or liability at the measurement date.

(b) Consolidation principles –

The accompanying consolidated financial statements include the accounts of the Company and of those entities controlled by the Company (Subsidiaries). The Company considers that control of an entity is achieved when the Company has the power to govern their financial and operating policies in order to obtain benefits from their activities.

All significant intercompany transactions have been eliminated in consolidation. When necessary, adjustments are made to the financial statements of certain Subsidiaries to bring their accounting policies into line with those used by other members of the group.

Profit and loss of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss as from the effective date of acquisition or up to the effective date of sale, as applicable. Total comprehensive income of those subsidiaries is attributed to the Company's shareholders and to the non-controlling owners of these subsidiaries even in cases when these interests result in a deficit balance.

Changes in the interest in subsidiaries that do not correspond to a loss of control over them are accounted for as equity transactions. The carrying amounts of interest of the shareholders of the Company and the non-controlling owners of these subsidiaries are adjusted to reflect the changes in their interest. Any difference between these amounts and the fair value of the consideration paid or received is directly attributed to equity of shareholders of the Company.

Goodwill is recognized by the excess of the acquisition cost of the interest of the Company in the fair value of net assets acquired by Subsidiaries.

(c) Functional and presentation currency -

The Company prepares and presents its consolidated financial statements in U.S. dollars, its functional currency. The functional currency is the currency of the main economic environment in which an entity operates, which influences selling prices of traded goods and services, among other factors.

For the preparation and presentation of the consolidated financial statements, the assets and liabilities of Subsidiaries in a functional currency different from the functional currency of the Company are translated at the exchange rate of the preparation date of those consolidated financial statements. Revenue and expenses are translated at average exchange rates, provided the exchange rate has not changed significantly during the year. Exchange differences derived from such translation are recognized as part of other comprehensive income (and attributed to non-controlling interest).

Translation to U.S. dollars

The Company prepares its consolidated financial statements in U.S. dollars based on its accounting records carried in soles. Those consolidated financial statements are translated into U.S. dollars (functional currency) following the methodology explained below:

Non-monetary assets and liabilities and equity accounts in soles have been translated into U.S. dollars using the exchange rate in force at the original date of the transaction. The consumption of supplies and accumulated depreciation of property, plant and equipment, the amortization of mining concessions, exploration and development expenses and other mining assets were calculated based on the amounts translated into U.S. dollars of related assets. Non-monetary assets and liabilities in U.S. dollars are held at their original value in such currency.

Profit or loss items denominated in U.S. dollars are presented in their original currency, and other transactions are translated from soles to U.S. dollars using the effective exchange rate at the original date of the transaction, except items that result from non-monetary assets, which are determined as indicated in the paragraph above.

Exchange difference gains or losses are recognized in the consolidated statement.

(d) Financial instruments –

Financial instruments are contracts that simultaneously give rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial assets and liabilities are recognized when the Company and Subsidiaries become part of the contractual agreements of the corresponding instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs directly attributable to their acquisition or issuance, except for those classified at fair value through profit or loss, which are initially recognized at fair value and whose transaction costs directly attributable to their acquisition or issuance, are recognized immediately in profit or loss for the year.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis and require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss provision. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss provision.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at fair value through other comprehensive income. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company and Subsidiaries recognize interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in the consolidated statement of profit or loss.

Impairment of financial assets

The Company and Subsidiaries recognize a provision for expected credit losses of financial assets that are measured at amortized cost or at fair value through other comprehensive income. An impairment loss for investments in equity instruments is not recognized. The amount of expected credit losses is updated at each reporting date in order to reflect the changes in credit risk since the initial recognition of the pertinent financial instrument.

The Company and Subsidiaries recognize lifetime expected credit losses for trade accounts receivable and other accounts receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company and Subsidiaries' historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the presentation date, including time value of money where appropriate.

For all other financial instruments, the Company and Subsidiaries recognize lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. The evaluation of whether the expected credit losses should be recognized during the life of the credit is based on significant increases in the probability or the risk that a noncompliance may occur since initial recognition instead of the evidence that the credit of a financial asset is impaired at the presentation date of the report or an actual noncompliance has occurred.

The duration of expected credit losses during the life of the credit represents the expected credit losses that will result from all possible default events over the expected useful life of a financial instrument. In contrast, 12-month expected credit losses during the life of the credit represents the portion of the useful life of expected credit losses during the life of the credit that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial liabilities

Financial liabilities are classified at fair value through profit or loss or at amortized cost using the effective interest method. The Company and Subsidiaries determine the classification of financial liabilities upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company and Subsidiaries manage and have a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as a financial liability at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company and Subsidiaries' documented risk management or investment strategy, and information about the Company and Subsidiaries is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any profit or losses arising on the new measurement recognized in profit or loss. The net profit or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other profit and losses" line item.

However, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Profit or losses on financial guarantee contracts and loan commitments issued by the Company and Subsidiaries that are designated as at fair value through other profit or loss are recognized in profit or loss.

<u>Financial liabilities measured subsequently at amortized cost</u>

Other financial liabilities, including loans, trade accounts payable and others, are measured subsequently 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 cash flows receivable or payable (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) estimated through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company and Subsidiaries derecognize financial liabilities when, and only when, the Company and Subsidiaries' obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Company and Subsidiaries enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, rates and prices of commodities.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Profit or loss from changes in the fair value of these assets is recognized in profit or loss of the period they occur, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(e) Cash and cash equivalents –

Cash comprises cash on hand and freely available deposits. Cash equivalents comprise short-term financial investments with maturities of twelve months or less counted from their acquisition date, which are readily convertible into known amounts of cash and are not subject to an insignificant risk of changes in value.

(f) Inventories and obsolescence estimate –

Inventories are valued at the lower of acquisition or production cost or net realizable value. The cost of concentrates includes the cost of direct materials, and in this case, direct labor costs and manufacturing overheads, include the cost of transferring inventories to their current location and conditions. The cost of concentrates and supplies is determined by applying the weighted average cost method; the cost of inventories in transit is determined by applying the specific cost method. Net realizable value is the sales price estimated in the normal course of business, less the estimated costs to place inventories in sale conditions and perform their sale. Due to the reductions of the carrying amount of inventories to their net realizable value, an estimate for inventory obsolescence is established and charged to profit or loss of the period when those reductions occur.

(g) Investment properties –

Investment properties (land and buildings, entirely or partially considered, or both), held to obtain revenue, goodwill or both, are initially measured at cost, including costs associated with the transaction.

In subsequent measurements, the cost model is used, for which cost is measured less accumulated depreciation and any accumulated impairment loss.

An investment property is derecognized at disposal or when the investment property is permanently unused and no future economic benefits are expected to be received from such sale. Any profit or loss arising from such derecognition (calculated as the difference between net income from sale and the carrying amount of the asset) is included in profit and loss of the period when such property was derecognized.

(h) Property, plant and equipment –

Property, plant and equipment are presented at acquisition cost, less accumulated depreciation and the accumulated amount of impairment losses, except land with port preparation, which is presented under the revaluation model. The historical acquisition cost includes disbursements directly attributable to the acquisition of assets.

Initial disbursements, as well as those subsequently incurred, related to goods whose cost can be estimated reliably, and it is probable that future economic benefits will be obtained from them, are recognized as property, vehicles and equipment. Disbursements for maintenance and repairs are recognized as expenses during the period when incurred. Main components of major equipment are recorded independently and are depreciated according to their useful life. Profit or loss arising from the sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, which is recognized in profit or loss for the period when the sale is considered performed.

Property, plant and equipment under construction or acquisition are presented at cost, less any determined impairment loss. The cost of these assets in process includes professional fees and, for qualifying assets, borrowing costs. Those assets are subsequently classified to their category of property, plant and equipment when the construction or acquisition process has been completed and they are ready for intended use. These assets are depreciated from that moment, similarly to the rest of categories of property, plant and equipment.

The residual value, useful life and depreciation and amortization methods are reviewed and adjusted prospectively where appropriate at the end of every year.

Depreciation

Units-of-production method

The depreciation of buildings and other mining constructions is calculated by units of production based on economically recoverable reserves and a portion of resources from the pertinent mining unit.

The units of production are measured in recoverable metric tons of lead, copper and zinc. The depreciation ratio per units of production considers the expenses paid up to that date.

Straight-line method

The depreciation of other mining and hydroelectric assets is calculated by applying the straight-line method based on the lower of the estimated useful life of assets or the remaining useful life of the mining unit for mining assets. The useful lives used by the Company are as follows:

	Years
Buildings and other construction	Up to 33 years
Environmental management program infrastructure	Up to 10 years
Machinery and equipment	Up to 10 years
Vehicles	Up to 5 years
Furniture and fixtures, and computer equipment	Up to 10 years
Sundry equipment	Up to 10 years

(i) Mining concessions, exploration and development costs and other intangibles –

Depreciation

Mining rights represent the ownership of the Company and Subsidiaries of mining properties that contain the acquired mineral reserves. Mining rights that are related to mineral reserves are amortized following the units-of-production method, using the proven and probable reserves as a basis and a portion of inferred resources.

Mining concessions correspond to exploration rights in areas of interest for the Company and Subsidiaries. Mining concessions are capitalized in the consolidated statement of financial position and represent the ownership of the Company and Subsidiaries of mining properties with a geological interest. Mining concessions are amortized as from the production stage based on the units-of-production method, using proven and probable reserves and a portion of inferred resources. In case the Company and Subsidiaries abandon those concessions, associated costs are written off in the consolidated statement of profit or loss and other comprehensive income.

At every year-end, the Company and Subsidiaries evaluate for each cash-generating unit if there is any indication that the value of their mining rights may be impaired. If any indication exists, the Company and Subsidiaries establish an estimate of the recoverable amount of the asset.

Evaluation and exploration costs

Exploration costs are capitalized only provided that they are estimated to be economically recoverable through a successful operation in the future or when the activities are in process in the area of interest and it has not reached a stage that allows evaluating reasonably the existence of economically recoverable reserves. These costs mainly include used materials and fuel, land survey costs, drilling costs and payments made to contractors. For this purpose, economically recoverable benefits of exploration projects can be evaluated properly when any of the following conditions are met: i) the Board of Directors authorizes Management to conduct a feasibility study for the project, and ii) the purpose of the exploration is to convert resources into reserves or to confirm resources.

Exploration costs are amortized just as development costs.

All capitalized evaluation and exploration costs are monitored to identify impairment indications. When a possible impairment is identified, each area of interest or cash-generating unit (CGU) is evaluated. If capitalized costs are not expected to be recovered, they are charged to the consolidated statement of profit or loss.

Development costs

Costs associated with the mine development stage are capitalized. Development costs required to keep production going are charged to profit or loss of the period when incurred.

Development costs are amortized from the beginning of production using the units-of-production method. Development costs are amortized based on proven and probable reserves and a portion of inferred resources to which they are related.

Intangibles

Intangible assets with finite useful lives separately acquired are reported at cost less accumulated amortization and any recognized accumulated impairment loss. Amortization is calculated using the straight-line method based on useful lives estimated by the Company and Subsidiaries. Estimates on useful lives and depreciation methods are reviewed at the end of each reporting period to evaluate possible material changes in previous expectations or the expected consumption pattern of future economic benefits inherent to those assets, prospectively incorporating the effects of any change in these estimates against net profit or loss in the period they are made.

Intangible assets with indefinite useful lives are not amortized and are reviewed every year in order to identify whether there is any impairment indication according to item (j) below.

(j) Review of impairment of long-term assets –

The Company and Subsidiaries regularly review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of an individual asset, the Company and Subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. If a reasonable and consistent distribution basis can be identified, corporate assets are also distributed to individual cash-generating units, or otherwise, to the smallest group of cash-generating units for which a reasonable and consistent distribution basis is identified.

The recoverable amount is the higher of fair value less the cost to sell and value in use. Value in use is determined based on future estimated cash flows discounted to their present value, using a discount rate before taxes that reflects current market valuations related to the time value of money and the specific risks of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized as expense, unless the corresponding asset is held at revalued amounts, in which case the impairment loss is recognized primarily as a reduction of the revaluation surplus.

An impairment loss can be subsequently reversed and recognized as revenue in profit for the year, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (cash-generating unit) in previous years.

(k) Assets held for sale -

Long-term assets (and groups of assets for disposal) classified as held for sale are valued at the lowest between the book value and the fair value minus the costs of the sell.

Long-term assets and groups of assets for disposal are classified as held for sale if their book value will be recovered through their sale and not through continued use. This condition is considered fulfilled only when the sale is highly probable and the asset (or group of assets) is available for immediate sale in its current condition and the management must be committed to the sale, which shall be recognized as a sale that shall be finalized in a one-year term from the date of classification.

When the Company is committed to a sales plan that involves loss of control in a subsidiary, all assets and liabilities of that subsidiary are classified as available for sale when the criteria described above is met, regardless of whether the Company will retain a non-controlling interest in its previous subsidiary after the sale.

When the Company is committed to a sales plan that involves the disposition of an investment (or a part of an investment) in a related party or joint venture, the investment or the portion of the investment subject to disposal is classified as held for its sale, when the criteria described above is met, and the Company discontinues the use of the equity method with respect to the part that is classified as held for sale. Any retained participation of an investment in a related party or a joint venture that has not been classified as held for sale is still recognized through the equity method.

(l) Investments in related parties -

A related party is an entity over which the Company has significant influence. Significant influence is the power to participate in decisions about financial and operating policies of the entity in which it has invested, but does not imply joint control or control over those policies.

A joint venture is a contractual agreement whereby the parties that have joint control of the agreement are entitled to the net assets of the joint venture. Joint control is the contractual agreement to share control in a business, which exists when decisions about the relevant activities require the unanimous approval of the parties that share the control.

The results and assets and liabilities of related parties or joint ventures are included in the consolidated financial statements using the equity method, except if the investment, or a portion thereof, is classified as held for sale, in which case it is accounted following IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in related parties or joint ventures are initially accounted for in the consolidated statement of financial position at their cost and are adjusted for changes subsequent to the acquisition by the Company in the profit or loss and other comprehensive income of the related party or joint venture. When the Company's participation in the losses of a related party or a joint venture of the Company exceeds the Company's participation in related party or joint venture (which includes long-term interests that, in substance, are part of the net investment of the Company in the related party or joint venture) the Company ceases to recognize its share of the losses. Additional losses are recognized as long as the Company has contracted any legal or implicit obligation or made payments on behalf of the related party or joint venture.

An investment in a related party or joint venture is recorded using the equity method from the date the investee becomes a related party or joint venture. In the acquisition of the investment in a related party or joint venture, the excess in the acquisition cost over the Company's participation in the net fair value of the identifiable assets and liabilities in the investment is recognized as goodwill, which is included in the book value of the investment. Any excess of the Company's participation in the net fair value of the identifiable assets and liabilities in the acquisition cost of the investment, after the re-evaluation, after its re-evaluation, is recognized immediately in the results of the period in which the investment was acquired.

The requirements of IAS 36 apply to determine whether it is necessary to recognize an impairment loss with respect to the Company's investment in a related party or a joint venture. When necessary, the impairment of the total carrying amount of the investment (including goodwill) is tested in accordance with IAS 36 Asset Impairment as a single asset, comparing its recoverable amount (higher between value in use and fair value less cost of sale) against its book value. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of said impairment loss is recognized in accordance with IAS 36 to the extent that said recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date the investment ceases to be a related party or a joint venture, or when the investment is classified as held for sale. When the Company maintains the participation in the former related party or joint venture, the retained investment is measured at fair value at that date and is considered as its fair value at the time of initial recognition in accordance with IFRS 9. The difference between the book value of the related party or joint venture on the date on which the equity method is discontinued and the fair value attributable to the retained interest and the gain on the sale of a portion of the interest in the related party or joint venture is included in the determination of the gain or loss in the disposal of the related party or joint venture. Additionally, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that related party or joint venture with the same base that would be required if that related party or joint venture had directly disposed of the relative assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by said related party or joint venture has been reclassified to the income statement when disposing of the relative assets or liabilities, the Company reclassifies the capital gain or loss to the income statement (as a reclassification adjustment) when the related party or joint venture is discontinued.

The Company continues to use the equity method when an investment in a related party becomes an investment in a joint venture or an investment in a joint venture becomes an investment in a related party. There is no fair value revaluation of such changes in participation.

When the Company reduces its participation in a related party or a joint venture but the Company continues to use the equity method, the Company reclassifies the part of profit or loss that had been previously recognized in other comprehensive income in relation to the reduction of its participation in the investment if that gain or loss had been reclassified to the income statement in the disposal of the relative assets or liabilities.

When the Company performs transactions with its related party or joint venture, the gain or loss resulting from such transactions with the related party or joint venture is recognized in the consolidated financial statements of the Company only with respect to the participation in the related party or joint venture not related to the Company.

The Company applies IFRS 9, including the requirements for impairment, to long-term interests in related parties or in joint ventures to which the equity method does not apply and is part of the net investment of the investee. In addition, when applying IFRS 9 to long-term interests, the Company does not take into account adjustments to its book values, as required by IAS 28.

(m) Leases –

Leases are classified as finance leases when the terms and conditions of the agreement substantially transfer all risks and advantages inherent to the ownership of the leased asset. All other leases are classified as operating leases.

Machinery and equipment under finance leases are initially recognized as assets of the Company at the lower value resulting from comparing the fair value of the leased asset and the present value of minimum lease payments. Machinery and equipment recorded as indicated above are depreciated by applying the method and basis mentioned above. Corresponding obligations are recognized as liabilities.

Each lease installment is distributed between the liability and financial charge so as to achieve a constant rate on the outstanding balance. The obligation for corresponding lease installments, net of financial charges, is included in "Financial obligations". Interest of financial cost is treated as debt cost and an expense is recognized in profit or loss or is capitalized during the lease term in order to obtain a constant interest rate on the liability balance for each period.

Payments derived from operating lease agreements, where the Company acts as lessee, are recognized as an expense on a straight-line basis over the lease term, except where another systematic assignment basis is more representative to properly reflect the pattern of leasing benefits. Contingent payments are recognized as expenses in the periods when incurred.

(n) Provisions –

Provisions are recognized when the Company and Subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Company and Subsidiaries will have to dispose of resources that provide economic benefits in order to settle the obligation, and a reliable estimate of the obligation amount can be made.

The amount recognized as provision corresponds to the best estimate of the necessary disbursement to settle the present obligation at the date of the consolidated statement of financial position, considering the risks and uncertainties surrounding most of the events and circumstances concurrent to its valuation. If the provision amount is measured using estimated cash flows to settle the obligation, the carrying amount is the present value of corresponding disbursements.

In case it is expected that a part or the total disbursement necessary to settle the provision may be reimbursed by a third party, the portion receivable is recognized as an asset when its recovery is virtually certain, and the amount of such portion can be determined reliably.

(o) Provision for closure of mining units –

The asset and liability for closure of mining units is recognized when: (i) the Company and Subsidiaries have a present obligation related to the dismantling and removal of assets, as well as the restoration of areas where its mining units are located, and (ii) the amount of those obligations can be estimated reliably.

The initial amount of the recognized asset and liability is the present value of future estimated disbursements to meet those obligations.

Subsequently: (i) the liability is adjusted each following period to update the initially recognized present value; such increase of the liability is recognized as a financial expense; (ii) the asset is depreciated based on proven and probable reserves by applying the units-of-production method. Related depreciation is recognized as expense.

(p) Financial costs –

Financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized and added to the cost of the project until those assets are considered to be substantially ready for their intended use, that is, when such assets are able to generate commercial production. If a loan is requested for a specific use in the project, the capitalized amount represents actual costs incurred to obtain such loan.

If short-term excess funds derived from the specific loan are available, earnings provided by temporary investment are also capitalized and deducted from the total debt cost. If funds used to finance a project are part of the general debt, the capitalized amount is calculated by applying the weighted average rate of the general debt of the Company and Subsidiaries during the period. All other debt costs are recognized in the consolidated statement of comprehensive income in the period when incurred.

(q) Revenue recognition –

Revenue is measured by using the fair value of the consideration received or receivable, derived therefrom. This revenue is reduced by estimates such as refunds from customers, discounts and other similar items.

Revenue is recognized as follows:

(i) Revenue is associated with the sale of concentrates, Dore bars and others satisfies its obligation of short-term performance, when the control of the sold asset is transferred to the customer. Transfer control indicators include an unconditional obligation to advance a significant payment, legal title, physical ownership, transfer of risks and benefits, and acceptance from the customer. It generally occurs when concentrates are delivered at the loading port, warehouse or vessel, pursuant to the agreement entered into with the buyer.

The buyer controls the concentrates at that place. If the Company is responsible of delivery costs and other services after the date when control of goods is transferred to the customer, these other services are considered as independent performance obligations; therefore, a portion of revenue obtained from the agreement are allocated and recognized when these performance obligations are met.

Sale agreements of concentrates, Dore bars and others generally provide for a significant provisional payment based on provisional tests and prices of quoted metals that on average are in the range of 85 percent to 95 percent of the provisional invoiced value. The final liquidation is based on the results of final assays and prices of metals applicable in specific quotation periods, which tend to range between a month after the shipment and up to three months after the shipment arrives to the agree-upon place, and is based on the average prices of metals in the market. For this purpose, the transaction price can be measured reliably for those products, such as zinc, lead, copper and gold, for which there is a free and active market, such as the London Stock Exchange. When it is the case that the value of the final settlement is less than the provisional settlement, the obligation to return part of the consideration paid as an advance is established. On the other hand, the payment of customers for contracts of sale abroad is guaranteed by means of a letter of guarantee and the sale to the client is guaranteed throught the issuance of the laboratory certificate and tests.

Since these agreements will be settled in the future based on international quotations of contents payable to be finally agreed upon, these agreements are treated as embedded derivatives, and as of the closing of the year, are adjusted due to significant changes in international quotations to reflect them at their fair value. Changes in fair value are recognized as adjustments to revenue provided by sale. Definite adjustments that result from final liquidations are recorded in the period when issued, generally when the seller and buyer exchange weights and contents payable, and establish the quotation term, according to conditions previously agreed upon in the pertinent sale agreements.

IFRS 15 requires that the variable consideration should be recognized only when it is highly probable that a significant reversal does not occur in the amount of recognized accumulated revenue. The Company concluded that the adjustments related to final liquidations for the quantity and quality of sold concentrates are not significant and do not restrict revenue recognition.

(ii) Revenue from interests is recognized based on the effective yield in proportion to the time elapsed.

(iii) Other revenue is recognized when earned.

(r) Recognition of costs and expenses –

The cost of sales of ore concentrates is recognized in the period when shipment or delivery is performed based on contractual terms and conditions, against profit or loss of the period when corresponding operating income is recognized. Expenses are recognized when there has been a decrease in future economic benefits related to a decrease in assets or increase in liabilities and, additionally, when expenses can be measured reliably, regardless of the payment date.

(s) Employee benefits -

Benefits to employees include, among others, short-term benefits, such as wages, salaries and social security contributions, annual paid leaves, paid sick leaves, profit-sharing and incentives, if paid within twelve months following the end of the period. These benefits are recognized against profit or loss for the period when the employee has provided the services that entitle them to receive those benefits. Corresponding obligations payable are presented as part of other liabilities.

(t) Operating profit -

Operating profit is understood as total net sales less total cost of sales, administrative expenses, selling expenses, other income and expenses (net) and revenue from the impairment reversal of non-financial assets and impairment loss of non-financial assets (net), excluding financial income and expenses.

(u) Income tax -

Income tax expense for the period comprises current and deferred income tax and mining taxes.

This tax is recognized in the consolidated statement of profit or loss and other comprehensive income, except when it is related to items directly recognized in equity, in which case, such tax is also directly recognized in equity.

Current income tax is calculated based on tax laws published or substantially enacted at the date of the financial position report. Management regularly evaluates the position assumed in tax returns with regard to situations in which tax laws are subject to interpretation. When applicable, Management establishes provisions on amounts the Company shall pay to tax authorities.

Deferred income tax is determined in its entirety by applying the liability method on temporary differences that arise between the tax bases of assets and liabilities and their corresponding values presented in the consolidated financial statements. However, deferred income tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction different from a business combination, which does not affect taxable or accounting profit or loss at the date of such transaction. Deferred income tax is determined by applying tax rates (and laws) that have been enacted at the date of the financial position report and which are expected to be applicable when the deferred income tax asset is realized or the income tax liability is paid.

Deferred income tax is only recognized to the extent that it is probable that future tax benefits will be obtained against which temporary differences can be used.

Balances of deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off taxable assets with current tax liabilities and when deferred income tax assets and liabilities are related to the same tax authority of the taxable entity or different taxable entities where it is intended to settle those balances over a net basis.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures, except for those cases when the Parent is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with those investments and interests are only recognized to the extent that it is probable that temporary differences will reverse in the foreseeable future and taxable profit is available against which such temporary differences can be used.

(v) Contingent assets and liabilities -

Contingent liabilities are recorded in the consolidated financial statements when it is probable that they will be confirmed in time and can be quantified reasonably; otherwise, they are disclosed in a note to the consolidated financial statements.

Contingent assets are not recorded in the consolidated financial statements, but are disclosed in a note when their contingency level is probable.

(w) Basic and diluted earnings per share -

Basic earnings per share is calculated by dividing net profit or loss attributable to shareholders by the weighted average number of outstanding common shares during the period, including shares for the restatement into constant currency. Since there are no diluted potential common shares, that is, financial instruments or other contracts that allow obtaining common shares, basic and diluted earnings per share are the same.

3. Seasonality of operations

The Company operates on a continuous basis, with no important fluctuations due to seasonal factors.

4. Assets and Liabilities availables for sale

In November 2019, Volcan signed an agreement for the sale of its shares in Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. with the Canadian company Cerro de Pasco Resources Inc. This agreement is subject to the fulfillment of certain conditions precedent that should be fulfilled during 2020.

Cerro de Pasco Resources Inc. is a company listed in the Canadian Securities Exchange with a presence in Cerro de Pasco for several years and holder of the El Metalurgista concession in this town. The transaction includes an initial payment of USD 30 MM, a 2% NSR on the concessions of Administradora Cerro S.A.C., and a percentage of future Au and Ag sales of the Plant of Óxidos de Pasco S.A.C. for the life of the concessions. Also, Cerro de Pasco Resources has the obligation to sell 100% of the concentrates that are exploited in the concessions of Administradora Cerro SAC to Volcan. Finally, the agreement ensures the continuity of the health, safety, environmental and social projection programs that the Company has been developing in the area.

The assets and liabilities included in the operations classified as held for sale are the following:

	2019 US$000
Cash and cash equivalents	2,394
Accounts receivable Trade net	4,268
Other accounts receivable net	35,241
Inventories, net	29,382
Other accounts receivable long term	715
Property, plant and equipment, net	185,486
Mining exploration and evaluation cost, net	2,215
Deferred income tax assets, net	37,826
Total de assets classified as held for sale	297,527
Overdrafts	1,628
Trade accounts payable	28,136
Other accounts payable	6,115
Financial obligations	460
deferred Income tax, Net	83,629
Provision for contingencies	7,161
Provision for closing of mining units and communities	39,897
Total de liabilities associated with assets classified as held for sale	167,025

5. Cash and cash equivalents

Here in below is the composition of this heading:

	As of December 31, 2019	As of December 31, 2018
	US$(000)	US$(000)
Funds available:		
Cash	7	67
Fixed fund	25	27
Bank checking accounts	32,985	62,407
Funds subject to restriction	811	449
	33,828	**62,950**

6. Inventories

The composition of this heading is presented below:

	As of December 31, 2019	As of December 31, 2018
	US$(000)	US$(000)
Concentrates	6,461	15,347
Raw material (extracted ore)	5,730	11,814
Miscellaneous supplies	31,455	43,964
Inventories in transit	68	104
Value of stockpiles	-	7,752
Allowance for obsolescence of spare parts and supplies (a)	(7,005)	(6,589)
	36,709	72,392
Less: non-current portion	-	7,752
Current portion	**36,709**	**64,640**

Under application of IFRS 5 and under the commercial agreement to be excuted with Cerro de Pasco Resources Inc., the following was reclassified to assets available for sale by the companies Empresa Administradora de Cerro S.A.C and Óxidos de Pascos S.A.C.:

a) The balance of the inventory per concentrate and mineral for US $ 4,753 and US $ 5,589.

b) The cumulative estimate recorded by the companies Empresa Administradora de Cerro S.A.C and Óxidos de Pasco S.A.C. for US $ 8,749 and US $ 1,207, respectively.

It should be noted that during 2019 there was an estimate for impairment of spare parts and supplies for US $ 4,983 and update of the net realizable value of ore for US $ 5,389.

In 2018, the estimate for impairment was mainly adjusted for the write-off of inventories for US $ 10,179 and the destruction of obsolete supplies (waste) for US $ 6,559.

In the opinion of the Management of the Company and Subsidiaries, the estimate for the impairment of spare parts and supplies is sufficient to cover the risk of losses at the date of the consolidated statement of financial position.

7. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of December 31 2019	As of December 31 2018
	US$(000)	US$(000)
Fair value of hedging derivatives	3,915	-
Fair value of trading derivatives	-	-
Settled derivative financial instruments ans premiums	1,501	-
	5,416	**-**
Fair value swaps	-	640
	5,416	**640**
Less: non-current portion	**-**	**-**
Current portion	**5,416**	**640**

Here in below is the composition of payables:

	As of December 31 2019	As of December 31 2018
	US$(000)	US$(000)
Fair value of trading derivatives	1,448	1,718
Settled derivative financial instruments ans premiums	51,860	46,500
	53,308	**48,218**
Fair value swaps	99	**-**
	99	**-**
	53,407	**48,218**
Less: non-current portion	-	-
Current portion	**53,407**	**48,218**

The Company uses derivative instruments to reduce its exposure to market risks. Such risks are primarily related to the effects of constantly fluctuating prices for the metals traded by the Company.

Mineral quotations hedging transactions –

As of December 31, 2019 the Company has executed price hedging operations contracts to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The change in the equity account "Unrealized gains (loss)" is presented below:

	Hedging Financial Derivatives	Income tax	Unrealized Gains (losses)
	US$(000)	US$(000)	US$(000)
Balances as of December 31, 2017	(29,094)	8,583	(20,511)
Total change in hedging derivative financial instruments	29,734	(8,772)	20,962
Total change in Financial investments	950	(280)	670
Balances as of December 31, 2018	**1,590**	**(469)**	**1,121**
Total change in hedging derivative financial instruments	(738)	218	(520)
Total change in Financial investments	(9,247)	2,728	(6,519)
Balances as of December 31, 2019	**(8,395)**	**2,477**	**(5,918)**

8. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1,2019	Additions	Write-offs	Transfers and / or Reclassifications	Subsidiary Incorporation	Low Company	Estimation for deterioration	Application NIIF 5	Balances as of December 31,2019
2019	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**
Cost									
Land	97,750	2,163	-	33,199	-	(101,759)	-	-	31,353
Buidings and other constructions	926,968	7,875	-	48,955	-	(618)	(19,613)	(216,316)	747,251
Environmental management program infrastrl	22,293	-	(12)	-	-	-	-	(10,508)	11,773
Machinery and equipment	279,381	43,658	(14,267)	2,078	-	(20)	-	(107,084)	203,746
Transportation units	11,174	5,754	(44)	-	-	(151)	-	(7,599)	9,134
Furniture and fixtures and IT equipment	14,401	434	-	-		(130)	-	(1,925)	12,780
Miscellaneous equipment	450,131	16,964	(79)	(1,078)	-	(21)	-	(110,101)	355,816
Units in transit	312	4,000	-	(573)	-	-	-	(15)	3,724
Works in progress	59,408	38,721	(2,528)	(35,614)	-	-	-	(6,326)	53,661
	1,861,818	**119,569**	**(16,930)**	**46,967**	**-**	**(102,699)**	**(19,613)**	**(459,874)**	**1,429,238**
Accumulated depreciation									
Buidings and other constructions	(276,541)	(80,781)	-	-	-	35	-	67,581	(289,706)
Environmental management program infrastrl	(22,277)	(4)	-	-	-	-	-	10,508	(11,773)
Machinery and equipment	(245,470)	(24,325)	11,213	-	-	6	-	104,966	(153,610)
Transportation units	(10,391)	(2,866)	10	-	-	103	-	7,175	(5,969)
Furniture and fixtures and IT equipment	(10,018)	(951)	-	-	-	85	-	1,798	(9,086)
Miscellaneous equipment	(318,916)	(23,353)	61	-	-	7	-	82,360	(259,841)
	(883,613)	**(132,280)**	**11,284**	**-**	**-**	**236**	**-**	**274,388**	**(729,985)**
Net cost	**978,205**								**699,253**
2018									
Cost	1,710,991	74,700	(13,835)	3	13,868	-	93,007	(16,916)	1,861,818
Accumulated depreciation	(788,951)	(105,907)	11,245	-	-	-	-	-	(883,613)
net cost	**922,040**								**978,205**

9. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1,2019	Additions	Write-offs	Transfers and / or Reclassifications	Low Company	Corporate Addition	Impairment Recovery	Application NIIF 5	Balances as of December 31,2019
2019	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Cost									
Mining rights and concessions	268,688	3,314	-	-	-	-	-	(51,867)	220,135
Exploration	247,997	28,472	-	-	-	-	-	(7,998)	268,471
Development and stripping costs	708,302	73,984	-	(17,911)	-	-	35,600	(75,128)	724,847
Closing of mining units	140,083	-	-	-	-	(7,701)	-	(5,343)	127,039
Communal rights	-	-	-	17,911	-	579	-	-	18,490
Other intangible assets	140,954	4,344	-	(46,968)	(80,295)	-	-	(567)	17,468
	1,506,024	**110,114**	**-**	**(46,968)**	**(80,295)**		**35,600**	**(140,903)**	**1,376,450**
Accumulated amortization									
Mining rights and concessions	(190,769)	(5,547)	-	-	-	-	-	51,867	(144,449)
Exploration	(104,385)	(12,153)	-	-	-	-	-	7,934	(108,604)
Development and stripping costs	(319,561)	(37,259)	-	-	-	-	-	75,128	(281,692)
Closing of mining units	(40,055)	(11,596)	-	-	-	-	-	3,267	(48,384)
Communal rights	-	(1,451)	-	-	-	-	-	-	(1,451)
Other intangible assets	(11,187)	(1,054)	-	-	-	-	-	493	(11,748)
	(665,957)	**(69,060)**	**-**	**-**	**-**	**-**	**-**	**138,689**	**(596,328)**
Net cost	**840,067**								**780,122**
2018									
Cost	1,356,639	184,816	(48)	(3)	-	-	16,965	(52,345)	1,506,024
Accumulated depreciation	(603,851)	(62,107)	1	-	-	-	-	-	(665,957)
Net cost	**752,788**								**840,067**

10. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2019	Adoption IFRS	Loans	Payment	Balances as of December 31, 2019	Current	Non-current
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Financial Institutions - leasing							
Banco internacional del Perú-Interbank	256	-	1,401	(318)	1,339	542	797
Scotiabank Perú S.A.A.	2,752	-	7,340	(4,656)	5,436	2,122	3,314
Financial Institutions - loans							
Citibank NA, New York	56,875	-	-	(17,500)	39,375	17,500	21,875
Atlas Copco Financial Solutions AB	81	-	-	(81)	-	-	-
Banco internacional del Perú-Interbank	8,111	-	-	(1,944)	6,167	1,998	4,169
Scotiabank Perú S.A.A.	8,111	-	-	(1,944)	6,167	1,998	4,169
Scotiabank Perú S.A.A.	-	-	60,000	(60,000)	-	-	-
Banco Continental	-	-	60,000	(60,000)	-	-	-
Banco de Credito	-	-	60,000	-	60,000	60,000	-
Financial Institutions - synthetic loans							
Banco Continental	60,000	-	-	(60,000)	-	-	-
Scotiabank Perú S.A.A.	60,000	-	-	(60,000)	-	-	-
Scotiabank Perú S.A.A.	50,000	-	-	(50,000)	-	-	-
Scotiabank Perú S.A.A.	-	-	110,000	-	110,000	110,000	-
Bonds	535,264	-	-	-	535,264	-	535,264
	781,450	**-**	**298,741**	**(316,443)**	**763,748**	**194,160**	**569,588**
Interest payable	14,979	-	36,379	-37,555	13,803	13,803	-
Operating lease (IFRS 16)	-	23,247	-	-	23,247	16,513	6,734
	14,979	**23,247**	**36,379**	**(37,555)**	**37,050**	**30,316**	**6,734**
TOTAL	**796,429**	**23,247**	**335,120**	**(353,998)**	**800,798**	**224,476**	**576,322**
Financial obligations current	208,665				224,476		
Financial obligations non-current	**587,764**				**576,322**		

11. Deferred income tax

a. The composition of this heading, according to the items originating same, is provided below:

	As of December 31 2019	As of December 31 2018
	US$(000)	US$(000)
Deferred assets		
Provision for the closing of mining units	36,038	53,423
Expenses of amortization of property, plant and equipment and amortization of mining rights and concessions, exploration, development and stripping costs	24,683	44,121
Contingencies provisions	7,368	7,781
Provision for operating lease	6,850	-
Fair value Polpaico Cement	5,574	2,847
Provision for communities	5,009	6,436
Estimation for devaluation of inventories	1,924	1,944
Embedded derivative and sales adjustment	1,858	1,374
Vacation payments outstanding	1,572	1,612
Provision of mining royalties	554	459
Fair value of derivates financial instruments	456	1,770
Provision for doubtful accounts	92	1,250
Recoverable tax loss	-	8,172
Effect by translation of the tax benefits to dollars	-	2,581
Speculative loss of derivates financial instruments	-	591
Other minors	372	789
Deferred assets	92,350	135,150
Deferred liabilities		
exploration, development and stripping costs and amortization of	189,194	239,878
Effect by translation of the tax benefits to dollars	25,257	46,951
Fair value of shares	5,395	-
Insurance indemnity	2,025	596
Fair value of derivates financial instruments	1,913	2,287
Value of stock piles	-	2,025
Embedded derivative and sales adjustment	-	113
Revaluation of assets	-	42,351
Other minors	11,555	506
Deferred liabilities	235,339	334,707
Assets (Liabilities) Net deferred	**(142,989)**	**(199,557)**

(b) The income tax expense carried in the income statement:

	For the period from October 1 to December 31		For the period from January 1 to December 31	
	2019	2018	2019	2018
	US$(000)	US$(000)	US$(000)	US$(000)
Income Tax				
Current	5,233	441	187	(33,557)
Deferred	(30,468)	(34,390)	(34,351)	(37,692)
	(25,235)	(33,949)	(34,164)	(71,249)
Tax on mining royalties	(2,111)	(1,574)	(8,635)	(13,280)
Contribution to the retirement fund	(60)	10	(129)	(561)
Total income (loss) tax expense	(27,406)	(35,513)	(42,928)	(85,090)

12. Issued capital

It is represented by 1,633,414,553 class “A” shares with right to vote and 2,443,157,622 class “B” shares with no right to vote but right to preference dividend distribution; such right is not cumulative. From the total, 182,970,350 class “A” shares and 12,234,901 class “B” shares are held by subsidiary Empresa Minera Paragsha S.A.C.; 23,442,345 class “A” shares by subsidiary Compañía Minera Chungar S.A.C., 306,283 class “A” shares by subsidiary Compañía Industrial Limitada de Huacho S.A.

Both class “A” and class “B” common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of December 31,2019, their quotation was S/ 3.49 and S/ 0.445 per share, respectively (S/ 3.50 and S/ 0.71 per share, respectively, as of December 31, 2018).

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividents of up to S/ 49,106 thousand (equivalent to US$.14,854 thousand) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividents were paid on February 28, 2017.

At the board meeting held on October 2, 2017, the directors approved the distribution of cash dividents of up to S/ 54,584 thousand (equivalent to US$.16,397 thousand) in favor of the shareholders, which correspond to the profits of fiscal year 2016. Said dividents were paid on October 27, 2017.

In November 2017, Glencore International AG, subsidiary of Glencore PLC, conducted a Public Acquisition Tender of common class A shares and purchased 603,077,387 shares. Glencore PLC and its related entities, at the announcement date of the Public Acquisition Tender, were the owners of 295,754,888 shares, with which they accumulated 898,832,275 common class A voting shares, which represent 63% of common outstanding class A voting shares, and an economic interest of 23.29%, excluding treasury shares.

At the board meeting held on July 24, 2018, the directors approved the distribution of cash dividents in advance on account of freely available profits as of June 30 of up to S/ 54,583 thousand (equivalent to

US$.16,641 thousand) in favor of the shareholders, which correspond to the profits of fiscal year 2018. Said dividents were paid on August 22, 2018.

13. Net sales

The table herein below provides a detail of net sales:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2019	**2018**	**2019**	**2018**
	US$(000)	US$(000)	US$(000)	US$(000)
Net concentrate sales				
Zinc	110,792	106,194	433,229	501,561
Lead	51,327	43,742	166,999	191,821
Copper	10,095	9,385	38,181	35,964
Silver	8,609	8,051	40,202	45,087
Silver Bars	24,637	11,919	75,499	57,074
Final settlement adjustments	(10,421)	(20,097)	(15,652)	(34,487)
	195,039	159,194	738,458	797,020
Gain (loss) realized on financial instruments	7,476.00	70	7,476.00	(13,924)
Sales adjustment for the current period (a)	8,376	17,177	(1,288)	(553)
Embedded derivatives for the current period (b)	(3,584)	(3,404)	(1,068)	(7,441)
	207,307	173,037	743,578	775,102

(a) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Sales agreements are related to future market prices. The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of December 31, 2019 and 2018, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in loss for US$ 1,228 thousand and US$ 553 thousand in the twelve-months periods ended December 31, 2019 and 2018; respectively, and are shown as part of net sales.

(b) Embedded derivatives

As of December 31, 2019 the fair value of embedded derivatives yielded in loss for US$ 1,068 thousand (loss for US$ 7,441 thousand as of December 31, 2018). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of December 31, 2019 and 2018 have been taken from entities that work with the London Metal Exchange (LME) publications.

14. Cost of sales

The composition of this below:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2019	2018	2019	2018
	US$(000)	US$(000)	US$(000)	US$(000)
Concentrates beginning inventory	**15,006**	**8,171**	**15,347**	**10,734**
Raw materials (extracted ore) beginning inventory	**10,954**	**13,846**	**11,814**	**16,395**
Production cost:				
Labor	18,639	15,268	70,576	69,943
Rental, power and other expenses	59,267	52,847	216,623	210,832
Supplies used	28,759	26,981	111,185	102,301
Depreciation and amortization	49,897	60,502	190,036	160,307
Purchase of concentrate and minerals	-	1,028	1,016	1,549
Exceptionals, others	1,673	289	2,339	1,483
Less - concentrates ending inventory	**(11,214)**	**(15,347)**	**(11,214)**	**(15,347)**
Less - raw materials (extracted ore) ending inventory	**(11,319)**	**(11,814)**	**(11,319)**	**(11,814)**
	161,662	**151,771**	**596,403**	**546,383**

15. Financial income (expenses)

The composition of this below:

	For the period from October 1 to December 31		For the period from January 1 to December 31	
	2019	2018	2019	2018
	US$(000)	US$(000)	US$(000)	US$(000)
Financial income				
Investment valuation	(215)	-	18,288	-
Loan interest	443	153	607	421
Anothe financial income	36	52	122	180
Total other financial income	264	205	19,017	601
Financial expenses				
Interest on bonds issued	7,551	7,552	30,206	30,230
Interest on financial obligations	2,174	2,021	8,562	7,654
Effect of updating the present value of mine closure	3,598	2,701	3,598	2,701
Commissions and other expenses	2,120	210	3,342	769
	15,443	12,484	45,708	41,354
Closure of mines and communities	(2,615)	-	404	-
Operating lease (IFRS 16)	403	-	2,274	-
	(2,212)	-	2,678	-
Total financial expenses	13,231	12,484	48,386	41,354

16. Remuneration of the personal key

The remuneration of the key personnel of the Company and Subsidiaries as of December 31, 2019 and 2018 amounted to US$ 10,657 thousand and US$ 10,059 thousand, respectively and corresponds to short-term employee benefits.