

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
September 30, 2021 and 2020

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of September 30, 2021 (unaudited) and as of December 31, 2020 (audited)

	Note	September 30, 2021	December 31, 2020
		US\$(000)	US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	176,708	114,646
Accounts receivable Trade, net		15,959	16,244
Accounts receivable from subsidiaries and affiliates		12,089	12,537
Accounts receivable Others		66,226	89,530
Other financial assets	6	-	223
Inventories, net	5	64,913	60,961
Total current assets		335,895	294,141
Non-current Assets			
Other accounts receivable		9,294	9,477
Financial investments		188,977	195,346
Property, plant and equipment, net	7	751,908	772,063
Assets by right of use	8	3,774	4,285
Mining exploration and evaluation cost, net	9	779,090	790,553
Inventories, net	5	6,734	7,077
Total non-current assets		1,739,777	1,778,801
Total assets		2,075,672	2,072,942
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		2,055	10,070
Financial obligations	10	444,025	37,179
Trade accounts payable		179,215	222,640
Other accounts payable		74,816	65,883
Other financial liabilities	6	4,641	15,107
Total current liabilities		704,752	350,879
Non-current Liabilities			
Financial obligations	10	489,605	888,615
Provision for closing of mining units and communities		213,810	196,439
Deferred income tax liability	11	202,809	187,277
Provision for contingencies		29,634	32,811
Total non-current liabilities		935,858	1,305,142
Total liabilities		1,640,610	1,656,021
Equity			
Issued capital	12	1,134,300	1,134,300
Treasury stock		(60,934)	(60,930)
Other capital reserves		10,691	11,755
Capital reserve		(173,234)	(173,231)
Unrealized gains (loss)		(9,717)	(9,265)
Retained earnings		(466,044)	(485,708)
Total net stockholders' equity		435,062	416,921
Total liabilities and net stockholders' equity, net		2,075,672	2,072,942

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 September 30, 2021 and 2020

	For the period from July		For the cumulative period	
	1 to September 30		from January 1	
	2021	2020	2021	2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 13	222,101	173,461	663,012	355,555
Cost of Sales, Note 14	(160,417)	(136,411)	(477,404)	(354,101)
Gross Income	61,684	37,050	185,608	1,454
Operating income (expenses)				
Administrative expenses	(11,920)	(10,244)	(37,006)	(26,783)
Selling expenses	(5,296)	(4,313)	(14,180)	(10,814)
Other income	10,660	9,029	30,291	28,575
Other expenses	(29,497)	(7,472)	(50,385)	(20,941)
	(36,053)	(13,000)	(71,280)	(29,963)
Operating income	25,631	24,050	114,328	(28,509)
Financial income (expenses)				
Financial income, Note 15	359	1,372	716	1,614
Financial expenses, Note 15	(13,165)	(13,029)	(48,270)	(35,833)
Exchange difference, net	(4,086)	(1,344)	(9,363)	(5,200)
Total other income (expenses), net	(16,892)	(13,001)	(56,917)	(39,419)
Income before income tax	8,739	11,049	57,411	(67,928)
Income tax, Note 11 (b)	(8,037)	(3,236)	(38,812)	(1,758)
Net income	702	7,813	18,599	(69,686)
Net earnings per share	0.000	0.002	0.005	(0.018)
Weighted average of outstanding shares (in thousands)	3,857,594	3,857,602	3,857,594	3,857,602

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 September 30, 2021 and 2020

	For the cumulative period from April 1 to September 30		For the cumulative period from January 1 to September 30	
	2021 US\$(000)	2020 US\$(000)	2021 US\$(000)	2020 US\$(000)
Net income	702	7,813	18,599	(69,686)
Others comprehensive income (loss):				
Net change in gains (losses) unrealized on derivate instruments and Financial investments	(913)	1,986	(641)	(2,231)
Income tax	269	(586)	189	658
Other comprehensive income (loss) net of income tax	(644)	1,400	(452)	(1,573)
Total comprehensive income	58	9,213	18,147	(71,259)

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 September 30, 2021 and 2020

	Capital Issued	Treasury stock	Other capital reserves	Capital reserve	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, 2020	1,134,300	(60,926)	11,755	(173,217)	(5,918)	(335,265)	570,729
Results integrals	-	-	-	-	-	-	-
Net Income of year	-	-	-	-	-	(69,686)	(69,686)
Other results integrals of year	-	-	-	-	(1,573)	-	(1,573)
Total results integrals of year	-	-	-	-	(1,573)	(69,686)	(71,259)
Others	-	(4)	-	(12)	-	-	(16)
Balances as of September 30, 2020	1,134,300	(60,930)	11,755	(173,229)	(7,491)	(404,951)	499,454
Balances as of January 1, 2021	1,134,300	(60,930)	11,755	(173,231)	(9,265)	(485,708)	416,921
Results integrals	-	-	-	-	-	18,599	18,599
Net loss of year	-	-	-	-	-	18,599	18,599
Other results integrals of year	-	-	-	-	(452)	-	(452)
Total results integrals of year	-	-	(1,064)	-	(452)	19,663	18,147
Others	-	(4)	-	(3)	-	1	(6)
Balances as of September 30, 2021	1,134,300	(60,934)	10,691	(173,234)	(9,717)	(466,044)	435,062

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 September 30, 2021 and 2020 (Note 2C)

	Note	September 30, 2021	September 30, 2020
		US\$(000)	US\$(000)
Operating activities			
Collection of sales proceeds		755,454	417,564
Refund of the credit balance in favor of the exporter and taxes		32,266	14,418
Payments to suppliers and third parties		(466,663)	(294,498)
Payments to workers		(67,235)	(34,597)
Income tax payments		(6,031)	(5,916)
Royalties		(8,835)	(3,763)
Expenses for coverage		(8,032)	12,230
Cash flows from operating activities, net		230,924	105,437
Investing activities			
Disbursements for the acquisition of mining rights, property, plant and equipment		(55,379)	(41,405)
Disbursements for exploration and development activities		(57,231)	(40,971)
Cash flows (used in) investment activities, net		(112,610)	(82,376)
Financing activities			
Collection corresponding to:			
Obtaining financial obligations		475,000	417,667
Obtaining other financial liabilities		-	4,756
Payments corresponding to:			
Amortization of financial obligations		(475,952)	(302,611)
Amortization of overdrafts and other financial liabilities		(13,400)	(31,812)
Interest payment		(41,901)	(38,331)
Cash flows (used in) from financing activities, net		(56,252)	49,668
Increase (Decrease) in cash and cash equivalents for the period		62,062	72,730
Cash and cash equivalents at the beginning of the period		114,646	33,828
Cash and cash equivalents classified as held for sale		-	(8,677)
Cash and cash equivalents at the end of the period	4	176,708	97,881

The accompanying notes are an integral part of this statement

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of September 30, 2021 and December 31, 2020

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 September 30, 2021 were approved by the Company’s Management on November 02, 2021. The consolidated financial statements as of December 31, 2020 were approved by the Shareholders’ Meeting on March 31, 2021.

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

Consolidated Subsidiaries and economic activity	Direct and indirect interest in ownership		Domicile
	September 30, 2021	December 31, 2020	
	%	%	
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
Investments in general:			
Roquel Global S.A.C.	100.00	100.00	Perú
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.

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 Río 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 shipping 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 Portuarias Chancay S.A. (today, Cosco Shipping Ports Chancay Perú SA), a subsidiary of the Company until May 13, 2019; 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.

On May 13, 2019, the strategic partner was incorporated with an interest of 60% of shares of TPCB through a capital increase. The Company holds and owns the remaining 40% of shares of the capital stock of Cosco Shipping Ports Chancay Perú S.A., thus, it became an associate since that date.

The definite completion of the transaction was subject to the approval of the Modification of the Environmental Impact Assessment (MEIA), which, through Directorial Resolution N° 00158-2020 published on December 22, 2020, announced that the “Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles” (SENACE) approved the Modification of the Detailed Environmental Impact Study (MEIA-d) of the Expansion project of the Port Operative Zone - Stage 1 of the Chancay Multipurpose Port Terminal.

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.

The project represents a major infrastructure work and an important opportunity for the economic development of the country, since it will be part of China’s new connectivity network with the rest of the world, comprised by sea and land lanes.

The following table shows the financial statements as of April 30, 2019 of Cosco Shipping Ports Chancay Perú S.A., which is the closest date to the loss of control date (May 13, 2019) as Management considers that there were no significant transactions between both dates:

	To April 30, 2019
	US\$000
<u>Assets</u>	
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
<u>Currents</u>	
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
<u>Equity</u>	
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
<u>Results of the exercise</u>	
Administrative expenses	(169)
Exchange difference, net	20
Expenses income tax	37
	(112)

(e) Bond issuance -

On February 11, 2021, bonds known as "Senior Notes Due 2026" were issued and placed in its entirety in the international market for US\$475,000 thousand, at an annual rate of 4.375%, maturing in 5 years. Interests will be paid in semiannual installments from August 11, 2021 to February 11, 2026.

On February 17, 2021, the Company (i) partially repaid senior notes maturing in 2022 for US\$125 thousand, (ii) fully repaid the syndicated loan for US\$303 thousand, including accrued interests, and (iii) repaid other medium-term loans for US\$34 million. Remaining balance of funds received from the new issuance of bonds was destined for expenses related to the operation for US\$13 thousand.

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.

(f) Syndicated Loan

In August of this year, the company obtained an eighteen month syndicated loan without collateral for USD 300 MM. This transaction had the participation of eight Banks and was led by Santander bank and Scotiabank. The money obtained was used to re-profile short term debt and improve liquidity. Likewise, in October the company has secured an additional revolving committed line without guarantees for up to USD 50 MM, available at any time during the next two years.

On February 17, 2021, the Company paid the total syndicated loan for US\$ 303MM, including accrued interest.

(g) Termination of the purchase agreement of shares of Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. entered into between Volcan Compañía Minera S.A.A. and Cerro de Pasco Resources Inc.

In November 2019, the Company entered into a purchase agreement with the Canadian company Cerro de Pasco Resources Inc. for the sale of its shares in its Subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. The transaction was subject to the compliance with certain precedent conditions.

Cerro de Pasco Resources Inc. is a company listed in the Canadian Securities Exchange with presence in Cerro de Pasco for several years and is owner of the concession "El Metalurgista" at this place. The transaction established a fixed payment of US\$30 million for Óxidos de Pasco S.A.C., a net smelter return (NSR) of 2% of the concessions of Empresa Administradora Cerro S.A.C. and a percentage of future gold (Au) and silver (Ag) sales of the

oxide plant during all its operation, among others. In addition, Cerro de Pasco Resources had the obligation to sell to the Company all its concentrates processed in the concessions of Empresa Administradora Cerro S.A.C.

On November 2, 2020, the Company informed the Superintendence of the Securities Market that the term for completing the transaction agreed in the third appendix to the agreement entered into with Cerro de Pasco Resources Inc. expired on October 30, 2020, and the precedent conditions could not be verified; therefore, the agreement was terminated. In this regard, as of December 31, 2020, assets and liabilities are no longer classified as held for sale in the consolidated financial statements due to the sale is considered highly unlikely in the short term, there are no efforts to find a potential buyer and the Company has decided to recover the investment by using those assets. As a result, the Company recorded an impact on consolidated results due to the cancellation of this sale transaction of its Subsidiaries.

(h) COVID-19 Impacts

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy and in the Company and Subsidiaries' operations. In order to contain the spread of COVID-19 in Peru, on March 16, 2020, pursuant to Supreme Decree No. 044-2020, the Peruvian government declared state of emergency, initiating a quarantine protocol in the whole nation. Mandatory social isolation applied to all industries. Only companies in the industry of health, finance and essential goods or services were allowed to continue their operations.

In accordance with these restrictions, the Company and Subsidiaries stopped their operations from March 16 to June 4, when they resumed their operations gradually. In addition, the implementation of a plan for the surveillance, prevention and control of COVID-19 in the workplace in accordance with the regulations of the Ministry of Energy and Mines, which was registered at the Ministry of Health, increased the costs of the Company and Subsidiaries.

As a response of this situation, the Peruvian government implemented various economic and public health measures to address the pandemic caused by COVID-19. In particular, economic support has been provided through programs such as "Reactiva Peru". Under Reactiva Peru's regulations, the Company and Subsidiaries may not prepay current indebtedness unless using new credit facilities and may not distribute dividends or distribute any profits (with the exception of distributions for employees), during the 36-month term of the financing period. These loans are presented as part of financial obligations in the consolidated statement of financial position.

As a result of the economic and business impact of COVID-19, Management revised certain accounting estimates and judgments such as, the impairment estimate of long-term assets, which, in accordance with the revised assumptions, have not had a significant effect on the Company and Subsidiaries' financial position and results of operations.

The Company's Management also evaluated main factors that may affect the performance

and operations of the business, considering that there is no material uncertainty that may cause substantial doubts about its capacity to continue as going concern.

Since the pandemic is still on, Management is still monitoring the measures taken by the government in order to guarantee the cycle of its operations.

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), effective as of September 30, 2021 and December 31, 2020, as applicable, 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 would be received when selling an asset, or paid when transferring a liability in an organized transaction between market participants 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 IFRS 16), 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.

The Company's Management is responsible for the information contained in these consolidated financial statements, which expressly confirms that all principles and criteria established in IFRS issued by the IASB, effective at each year-end, have been applied in their preparation.

(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 its financial and operating policies in order to obtain benefits from its activities.

All significant intercompany transactions have been eliminated in consolidation. When necessary, adjustments are made to the financial statements of certain Subsidiaries to ensure conformity with the group's accounting policies.

Profit and loss resulting from 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.

As of September 30, 2021 and December 31, 2020, the consolidated financial statements include the consolidated accounts of Volcan Compañía Minera S.A.A. and Subsidiaries disclosed in Note 1(c).

(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.

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:

As of September

30, 2021 and December 31, 2020, the monetary assets and liabilities of the Company, whose original currency is the sol, have been translated into U.S. dollars using the average closing exchange rate effective at those dates of US\$0.242 and US\$0.277 per S/1.00, respectively. The monetary assets and liabilities in U.S. dollars are maintained at their original value in such currency.

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, accumulated depreciation of property, plant and equipment, and the amortization of mining concessions, exploration and development costs 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.

(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.

Financial liabilities at fair value through profit or loss

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.

Financial liabilities measured subsequently at amortized cost

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 shortterm financial investments with maturities of three 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, direct labor costs and manufacturing overheads, including 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, and 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) 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:

	<u>Years</u>
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

- (h) Mining concessions, exploration and development costs and other intangibles -

Mining rights and concessions

Mining rights represent the ownership of the Company and Subsidiaries over 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 as a basis,

the proven and probable reserves and a portion of inferred resources.

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 only capitalized 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 cashgenerating 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-ofproduction 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.

(i) 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.

In the determination of values in use of their assets, the Company and Subsidiaries review their projections of future revenue streams that consider the following variables: discount rate, projection of prices, resources and reserves, production, costs and expenses.

(j) Assets classified as held for sale -

Long-term assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Long-term assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

When the Company is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate or joint venture, the investment, or the portion of the investment, that will be disposed of is classified as held for sale when the criteria described above are met. The Company then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

(k) Investments in associates -

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion of such investment, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

Under the equity method, an investment in an associate is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is

included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the profit or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that profit or loss would be reclassified to the consolidated statement of profit or loss on the disposal of the related assets or liabilities.

When the Company conducts transactions with an associate, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

(l) Leases -

The Company and Subsidiaries as lessees:

The Company and Subsidiaries recognize right-of-use assets at the commencement date of the lease (that is, the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and are adjusted for any new measurement of lease liabilities. The cost of right-of-use assets includes lease liabilities recognized, initial direct costs incurred and lease payments made before the commencement date of the lease less any lease incentive received. Unless the Company and Subsidiaries are reasonably certain that they will obtain the ownership of the leased asset at the end of the lease term, assets recognized for right of use are amortized on a straight-line basis over the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company and Subsidiaries recognize lease liabilities at the present value of payments that will be made over the lease term. Lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or rate, and the amounts expected to be paid as residual value guarantees.

When calculating the present value of lease payments, the Company and Subsidiaries use the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease cannot be readily determined.

After the commencement date, the amount of lease liabilities increases to reflect the accrual of interests and is reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured whether there is a modification, change in the lease term or change in generally fixed payments.

The Company and Subsidiaries apply the recognition exemption on properties at a short term (that is, those properties with a lease term of 12 months or less from the commencement date of the lease and that do not contain a lease option). The Company and Subsidiaries also apply the recognition exemption on low-value assets in the lease of office equipment. Payments for short-term leases and low-value assets are recognized as expenses on a straight-line basis over the lease term.

(m) 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.

(n) 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.

(o) Financing 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.

(p) 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 through 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.

(q) 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.

(r) 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.

(s) 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.

(t) Income tax -

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

Current income tax

Current income tax corresponds to the tax payable by applying a rate of 29.5% on estimated taxable income, after deducting the profit sharing of employees, and is recorded in profit or loss for the year.

Current income tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company and Subsidiaries' current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company and Subsidiaries supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the consolidated financial statements and corresponding tax bases used to determine the taxable income, the pertinent rate of these differences, and in this case, the benefits of tax losses to amortize and some tax credits are included. Deferred tax assets or liabilities are generally recognized for all taxable temporary differences. A deferred tax income asset will be recognized for all deductible temporary differences to the extent that it is probable that the Company and Subsidiaries will have future tax profit against which to apply those deductible temporary differences. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company and Subsidiaries are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize those temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and Subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, except when they relate to items that are not recognized in profit or loss, either in other comprehensive income or directly in equity, respectively. Where current or deferred income tax arises from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

(u) 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.

Items previously treated as contingent liabilities will be recognized in the consolidated financial statements in the period when a change in probabilities occurs, that is, when it is determined that an outflow of resources is probable to occur to cover such liability. Items previously treated as contingent assets will be recognized in the consolidated financial

statements in the period when it is determined that an inflow of resources is virtually certain to occur.

(v) Basic and diluted earnings per share -

Basic earning 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 earning per share is the same.

3. Seasonality of operations

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

4. Cash and cash equivalents

Here in below is the composition of this heading:

	As of September 30,	As of December 31,
	2021	2020
	US\$(000)	US\$(000)
Funds available:		
Cash	-	9
Fixed fund	20	23
Bank checking accounts	130,665	83,637
Term deposit	25,030	10,007
Mutual funds	20,128	20,039
Cash in transit	0	-
Funds subject to restriction	865	931
	176,708	114,646

5. Inventories

The composition of this heading is presented below:

	As of september 30, 2021	As of December 31, 2020
	US\$(000)	US\$(000)
Concentrates	12,615	14,209
Raw material (extracted ore)	18,469	12,293
Pyrite stockpiles	6,734	7,077
Miscellaneous supplies	47,190	47,858
Inventories in transit	129	100
	<u>85,137</u>	<u>81,537</u>
Impairment estimate	(13,490)	(13,499)
Total	<u>71,647</u>	<u>68,038</u>
Non-current portion	<u>6,734</u>	<u>7,077</u>
Current portion	<u>64,913</u>	<u>60,961</u>

During 2021, according to the evaluation carried out with the participation of the operating areas, there was a higher estimate for obsolescence of spare parts and supplies.

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.

6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of September 30, 2021	As of December 31, 2020
	US\$(000)	US\$(000)
Settled derivative financial instruments ans premiums	-	223
	<u>-</u>	<u>223</u>
	<u>-</u>	<u>223</u>
Less: non-current portion	-	-
Current portion	<u>-</u>	<u>223</u>

Here in below is the composition of payables:

	As of September 30, 2021	As of December 31, 2020
	US\$(000)	US\$(000)
Fair value of trading derivatives	3,368	6,415
Settled derivative financial instruments ans premiums	1,273	7,195
	<u>4,641</u>	<u>13,610</u>
Fair value swaps	-	1,497
	-	<u>1,497</u>
	<u>4,641</u>	<u>15,107</u>
Less: non-current portion	-	-
Current portion	<u>4,641</u>	<u>15,107</u>

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, and to changes in rates, in order to ensure future disbursements of interest on loans obtained.

Mineral quotations hedging transactions and rates-

As of September 30, 2021 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. Also, rate coverage operations to guarantee future disbursements of interest on loans requested.

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, 2019	(8,394)	2,476	(5,918)
Total change in hedging derivative financial instruments	(304)	90	(214)
Total change in Financial investments	(1,928)	569	(1,359)
Balances as of September 30, 2020	(10,626)	3,135	(7,491)
Balances as of December 31, 2020	(13,142)	3,877	(9,265)
Total change in hedging derivative financial instruments	5,037	(1,486)	3,551
Total change in Financial investments	(5,678)	1,675	(4,003)
Balances as of September 30, 2021	(13,783)	4,066	(9,717)

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2021	Additions	Write-offs	Transfers and / or Reclassifications	Estimation for deterioration	Application IFRS 5	Balances as of September 30, 2021
<u>2021</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<u>Cost</u>							
Land	31,498	-	-	-	-	-	31,498
Buidings and other constructions	940,701	10	-	7,096	-	-	947,807
Environmental management program infrastrl	22,281	-	-	-	-	-	22,281
Machinery and equipment	285,931	7,856	-	6,823	-	-	300,610
Transportation units	11,172	261	-	-	-	-	11,433
Furniture and fixtures and IT equipment	15,265	312	(3)	132	-	-	15,706
Miscellaneous equipment	479,759	12,373	-	190	-	-	492,322
Units in transit	9,326	1,798	-	(7,072)	-	-	4,052
Works in progress	63,734	28,918	(66)	(7,174)	-	-	85,412
	1,859,667	51,528	(69)	(5)	-	-	1,911,121
<u>Accumulated depreciation</u>							
Buidings and other constructions	(428,880)	(46,528)	-	-	-	-	(475,408)
Environmental management program infrastrl	(22,281)	-	-	-	-	-	(22,281)
Machinery and equipment	(249,647)	(7,029)	-	-	-	-	(256,676)
Transportation units	(10,724)	(147)	-	-	-	-	(10,871)
Furniture and fixtures and IT equipment	(11,864)	(782)	3	-	-	-	(12,643)
Miscellaneous equipment	(364,208)	(17,126)	-	-	-	-	(381,334)
	(1,087,604)	(71,612)	3	-	-	-	(1,159,213)
Net cost	772,063						751,908
<u>2020</u>							
Cost	1,388,181	63,258	(780)	-	(10,408)	419,416	1,859,667
Accumulated depreciation	(711,391)	(102,683)	628	-	-	(274,158)	(1,087,604)
Net cost	676,790						772,063

8. Assets by right of use

The activity and composition of this heading are presented below:

	Balances as of January 1, 2021	Additions	Sales and/or withdrawals	Estimación por deterioro	Application IFRS 5	Balances as of September 30, 2021
<u>2021</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<u>Cost</u>						
Operating machinery	33,322	(1)	-	-	-	33,321
Vehículos	5,761	3,850	-	-	-	9,611
Estate	244	-	-	-	-	244
	39,327	3,849	-	-	-	43,176
<u>Accumulated depreciation</u>						
Maquinaria de operación	(29,851)	(2,881)	-	-	-	(32,732)
Vehículos	(5,098)	(1,446)	-	-	-	(6,544)
Inmuebles	(93)	(33)	-	-	-	(126)
	(35,042)	(4,360)	-	-	-	(39,402)
Net cost	4,285					3,774
<u>2020</u>						
Cost	41,057	1,642	(3,742)	(24)	394	39,327
Accumulated depreciation	(18,594)	(16,218)	-	-	(230)	(35,042)
Net cost	22,463					4,285

9. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2021	Additions	Corporate Cancellation	Low Company	Impairment Recovery	Application IFRS 5	Balances as of September 30, 2021
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<u>2021</u>							
<u>Cost</u>							
Mining rights and concessions	272,002	(1)	-	-	-	-	272,001
Exploration	285,419	13,722	-	-	-	-	299,141
Development and stripping costs	841,080	43,398	-	-	-	-	884,478
Closing of mining units	136,813	1	-	-	-	-	136,814
Communal rights	18,442	-	-	-	-	-	18,442
Other intangible assets	18,409	111	5	(455)	-	-	18,070
	1,572,165	57,231	5	(455)	-	-	1,628,946
<u>Accumulated amortization</u>							
Mining rights and concessions	(200,272)	(4,319)	-	-	-	-	(204,591)
Exploration	(125,060)	(13,296)	-	-	-	-	(138,356)
Development and stripping costs	(382,432)	(42,132)	-	-	-	-	(424,564)
Closing of mining units	(58,119)	(6,616)	-	-	-	-	(64,735)
Communal rights	(2,424)	(1,131)	-	-	-	-	(3,555)
Other intangible assets	(13,305)	(750)	-	-	-	-	(14,055)
	(781,612)	(68,244)	-	-	-	-	(849,856)
Net cost	790,553						779,090
<u>2020</u>							
Cost	1,376,450	50,740	-	4,383	(227)	140,819	1,572,165
Accumulated amortization	(596,328)	(46,595)	-	-	-	(138,689)	(781,612)
Net cost	780,122						790,553

10. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2021	Others	Loans	Payment	Balances as of September 30, 2021	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	6,297	-	2,978	(2,245)	7,030	3,637	3,393
Scotiabank Perú S.A.A.	8,195	-	5,050	(2,900)	10,345	5,099	5,246
	-				-		
Financial Institutions - loans							
Citibank NA, New York	30,625	-	-	(30,625)	-	-	-
Banco internacional del Perú-Interbank	4,169	-	-	(1,536)	2,633	2,099	534
Scotiabank Perú S.A.A.	4,169	-	-	(1,536)	2,633	2,099	534
Banco internacional del Perú-Interbank	2,766	-263	-	(486)	2,017	1,307	710
Banco internacional del Perú-Interbank	2,766	-266	-	(482)	2,018	1,206	812
Banco internacional del Perú-Interbank	905	-90	-	(155)	660	395	265
Banco internacional del Perú-Interbank	2,766	-27	-	(2,739)	-	-	-
Banco internacional del Perú-Interbank	1,742	-209	-	(73)	1,460	757	703
Scotiabank Perú S.A.A.	636	-80	-	-	556	276	280
Scotiabank Perú S.A.A.	1,411	-178	-	-	1,233	561	672
Scotiabank Perú S.A.A.	626	-79	-	-	547	249	298
Syndicated loans	300,000	-	-	(300,000)	-	-	-
Fees	-2,526	190	-	2,336	-	-	-
Bonds							
600 MM	535,264	-	-	(125,000)	410,264	410,264	-
475 MM	-	-	475,000	-	475,000	-	475,000
	899,811	(1,002)	483,028	(465,441)	916,396	427,949	488,447
Interest payable	14,577	-	34,158	(41,901)	6,834	6,834	-
Interest payable - leasing	-	347	-	(347)	-	-	-
Operating lease (IFRS 16)	11,406	5,308	3,849	(10,163)	10,400	9,242	1,158
	25,983	5,655	38,007	(52,411)	17,234	16,076	1,158
TOTAL	925,794	4,653	521,035	(517,852)	933,630	444,025	489,605
Financial obligations current	37,179				444,025		
Financial obligations non-current	888,615				489,605		

11. Deferred income tax

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

	As of September 30, 2021	As of December 31, 2020
	US\$(000)	US\$(000)
Deferred assets		
expenses or amortization of property, plant and equipment and amortization of mining rights and concessions, exploration	68,014	66,168
Recoverable tax loss	36,078	38,195
Provision for the closing of mining units	38,738	38,290
Contingencies provisions	6,827	7,612
Fair value Polpaico Cement	6,528	4,853
Provision for communities	4,243	4,580
Provision for operating lease	3,065	3,329
Estimation for devaluation of inventories	2,550	2,542
Interest undercapitalization	7,910	-
Fair value of derivatives financial instruments	1,368	2,738
Vacation payments outstanding	1,663	1,533
Miscellaneous provisions	1,182	-
Provision of mining royalties	1,084	567
Embedded derivative and sales adjustment	570	-
Provision for doubtful accounts	50	92
Other minors	418	1,827
	180,288	172,326
Deferred liabilities		
utilization or amortization of mining rights and concessions, exploration, development and stripping costs and amortization of	267,514	276,288
Effect by translation of the tax benefits to dollars	92,936	60,514
Fair value of shares	4,929	5,132
Financial expenses for financial obligations	1,954	855
Insurance indemnity	2,025	2,025
Embedded derivative and sales adjustment	298	1,072
Fair value of derivatives financial instruments	-	14
Other minors	13,441	13,703
	383,097	359,603
Assets (Liabilities) Net deferred	(202,809)	(187,277)

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

	For the period from July 1		For the cumulative period	
	to September 30		from January 1	
	2021	2020	2021	2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Income Tax				
Current	(1,485)	(1,073)	(12,397)	(1,957)
Deferred	(2,661)	(68)	(15,730)	3,870
	<u>(4,146)</u>	<u>(1,141)</u>	<u>(28,127)</u>	<u>1,913</u>
Tax on mining royalties	(3,879)	(2,095)	(10,506)	(3,671)
Contribution to the retirement fund	(12)	-	(179)	-
Total income (loss) tax expense	<u>(8,037)</u>	<u>(3,236)</u>	<u>(38,812)</u>	<u>(1,758)</u>

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, 182,994,435 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 September 30, 2021, their quotation was S/ 3.30 and S/ 0.60 per share, respectively (S/ 3.30 and S/ 0.52 per share, respectively, as of December 31, 2020).

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividends 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 dividends were paid on February 28, 2017.

At the board meeting held on October 2, 2017, the directors approved the distribution of cash dividends 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 dividends 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 dividends 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 dividends were paid on August 22, 2018.

13. Net sales

The table herein below provides a detail of net sales:

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2021 US\$(000)	2020 US\$(000)	2021 US\$(000)	2020 US\$(000)
Net concentrate sales				
Zinc	121,051	71,538	325,601	168,070
Lead	53,597	49,422	149,731	102,988
Copper	17,781	12,898	48,124	26,562
Silver	21,676	11,988	69,368	22,267
Silver Bars	16,509	21,794	77,476	38,050
Final settlement adjustments	1,433	7,577	7,646	(16,485)
	<u>232,047</u>	<u>175,217</u>	<u>677,946</u>	<u>341,452</u>
Gain (loss) realized on financial instruments	(3,446)	(3,249)	(8,368)	6,814
Sales adjustment for the current period (a)	(3,319)	4,069	(1,714)	5,099
Embedded derivatives for the current period (b)	(2,046)	(2,576)	(3,546)	2,190
Committed sales estimate	(1,135)	-	(1,306)	-
	<u>222,101</u>	<u>173,461</u>	<u>663,012</u>	<u>355,555</u>

(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 September 30, 2021 and 2020, 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 a profit for US\$ 1,714 thousand and US\$ 5,099 thousand in the nine-months periods ended September 30, 2021 and 2020; respectively, and are shown as part of net sales.

(b) Embedded derivatives

As of September 30, 2021 the fair value of embedded derivatives yielded in loss for US\$ 3,546 thousand (profit for US\$ 2,190 thousand as of September 30, 2020). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of September 30, 2021 and 2020 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 July 1 to September 30		For the cumulative period from January 1 to September 30	
	2021 US\$(000)	2020 US\$(000)	2021 US\$(000)	2020 US\$(000)
Concentrates beginning inventory	11,835	5,571	14,209	11,214
Raw materials (extracted ore) beginning inventory	16,582	12,719	12,293	11,319
Production cost:				
Labor	17,327	16,990	55,472	38,063
Rental, power and other expenses	61,099	52,349	179,889	115,041
Supplies used	29,930	27,016	86,721	56,258
Depreciation and amortization	42,735	32,951	136,210	78,410
Purchase of concentrate and minerals	-	(232)	-	(232)
Exceptionals, others	1,759.00	1,456	1,760.00	2,669
Less - concentrates ending inventory	(12,615)	(6,417)	(12,615)	(6,417)
Less - raw materials (extracted ore) ending inventory	(18,469)	(12,181)	(18,469)	(12,181)
	<u>150,183</u>	<u>130,222</u>	<u>455,470</u>	<u>294,144</u>
Plant stoppage costs	8,487	4,518	19,234	37,406
Plant stoppage Depreciation and Amortization	1,747	1,671	2,700	22,551
Cost of sales - Plant stoppage maintenance	<u>10,234</u>	<u>6,189</u>	<u>21,934</u>	<u>59,957</u>
Total	<u>160,417</u>	<u>136,411</u>	<u>477,404</u>	<u>354,101</u>

15. Financial income (expenses)

The composition of this below:

	For the period from July 1		For the cumulative period	
	to September 30		from January 1	
	2021	2020	2021	2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Financial income				
Loan interest	234	273	456	382
Another financial income	125	15	260	148
Dividends		1,084		1,084
Total other financial income	359	1,372	716	1,614
Financial expenses				
Interest on bonds issued	11,243	7,552	31,950	22,655
Financial costs for bond repurchase	-	-	4,688	-
Accrual of financial costs for anticipated cancellation of the syndicated loan	-	-	2,526	-
Interest on financial obligations	(157)	2,332	2,573	6,073
Effect of updating the present value of mine closure	713	800	2,134	2,369
Commissions and other expenses	1,557	1,915	4,157	3,432
	13,356	12,598	48,028	34,528
Closure of mines and communities	83	93	242	281
Operating lease (IFRS 16)	(274)	338	-	1,024
	(191)	431	242	1,305
Total financial expenses	13,165	13,029	48,270	35,833

16. Remuneration of the personal key

The remuneration of the key personnel of the Company and Subsidiaries as of September 30, 2021 and 2020 amounted to US\$ 5,919 thousand and US\$ 6,911 thousand, respectively and corresponds to salaries, participations, benefits and social charges, bonuses and extraordinary gratification.