

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
September 30, 2023 and 2022

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of September 30, 2023 (unaudited) and as of December 31, 2022 (audited)

	Note	September 30, 2023	December 31, 2022
		US\$(000)	US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	54,587	73,600
Accounts receivable Trade, net		16,089	19,191
Accounts receivable from related entities		5,293	9,395
Other accounts receivable		79,340	65,389
Other financial assets	6	4,503	-
Inventories, net	5	50,318	57,093
Total current assets		210,130	224,668
Non-current Assets			
Other accounts receivable		35,457	34,262
Financial investments		184,246	186,505
Property, plant and equipment, net	7	766,996	812,912
Assets by right of use	8	19,621	11,385
Mining exploration and evaluation cost, net	9	697,161	699,938
Inventories, net	5	5,774	6,218
Total non-current assets		1,709,255	1,751,220
Total assets		1,919,385	1,975,888
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		2,478	198
Financial obligations	10	98,698	34,697
Trade accounts payable		222,861	251,239
Accounts payable to subsidiaries and affiliates		9,381	7,833
Other accounts payable		63,704	67,036
Deferred income		21	-
Total current liabilities		397,143	361,003
Non-current Liabilities			
Financial obligations	10	705,275	776,771
Other accounts payable		-	3,200
Provision for closing of mining units and communities		288,466	292,895
Deferred income tax liability	11	127,083	136,277
Provision for contingencies		35,551	30,389
Deferred income		603	-
Total non-current liabilities		1,156,978	1,239,532
Total liabilities		1,554,121	1,600,535
Equity			
Issued capital	12	906,683	1,134,300
Treasury stock		(60,934)	(60,934)
Other capital reserves		(173,234)	(173,234)
Capital reserve		9,709	10,695
Unrealized gains (loss)		(8,583)	(9,436)
Retained earnings		(308,377)	(526,038)
Total net stockholders' equity		365,264	375,353
Total liabilities and net stockholders' equity, net		1,919,385	1,975,888

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, 2023 and 2022

	For the period from July		For the cumulative period from January 1	
	1 to September 30 2023	2022	to September 30 2023	2022
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 13	229,836	222,788	664,255	715,405
Cost of Sales, Note 14	(184,330)	(191,579)	(547,135)	(563,576)
Gross Income	45,506	31,209	117,120	151,829
Operating income (expenses)				
Administrative expenses	(12,622)	(17,937)	(44,350)	(46,231)
Selling expenses	(6,788)	(6,527)	(21,312)	(17,855)
Other income	19,106	11,459	45,953	37,589
Other expenses	(13,439)	(34,797)	(49,784)	(75,335)
	(13,743)	(47,802)	(69,493)	(101,832)
Operating income	31,763	(16,593)	47,627	49,997
Financial income (expenses)				
Financial income, Note 15	226	2,055	3,833	11,144
Financial expenses, Note 15	(18,564)	(13,529)	(52,686)	(41,615)
Exchange difference, net	(1,630)	(620)	(703)	(1,277)
Total other income (expenses), net	(19,968)	(12,094)	(49,556)	(31,748)
Income before income tax	11,795	(28,687)	(1,929)	18,249
Income tax, Note 11 (b)	(11,697)	(1,708)	(9,017)	(22,723)
Net income	98	(30,395)	(10,946)	(4,474)
Net earnings per share	0.000	(0.008)	(0.003)	(0.001)
Weighted average of outstanding shares (in thousands)	3,857,594	3,857,594	3,857,594	3,857,594
Basic and diluted (loss) earnings per share	0.000	(0.008)	(0.003)	(0.001)

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, 2023 and 2022

	For the cumulative period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2023 US\$(000)	2022 US\$(000)	2023 US\$(000)	2022 US\$(000)
Net income	98	(30,395)	(10,946)	(4,474)
Others comprehensive income (loss):				
Net change in gains (losses) unrealized on derivate instruments and Financial investments	(1,948)	(1,733)	1,210	(4,604)
Income tax	575	511	(357)	1,358
Other comprehensive income (loss) net of income tax	(1,373)	(1,222)	853	(3,246)
Total comprehensive income	(1,275)	(31,617)	(10,093)	(7,720)

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, 2023 and 2022

	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, 2022	1,134,300	(60,934)	10,695	(173,234)	(9,504)	(444,656)	456,667
Results integrals	-	-	-	-	-	-	-
Net Income of year	-	-	-	-	-	(4,474)	(4,474)
Other results integrals of year	-	-	-	-	(3,246)	-	(3,246)
Total results integrals of year	-	-	-	-	(3,246)	(4,474)	(7,720)
Others	-	-	-	-	-	-	-
Balances as of September 30, 2022	1,134,300	(60,934)	10,695	(173,234)	(12,750)	(449,130)	448,947
Balances as of January 1, 2023	1,134,300	(60,934)	10,695	(173,234)	(9,436)	(526,038)	375,353
Results integrals	-	-	-	-	-	(10,946)	(10,946)
Net loss of year	-	-	-	-	-	(10,946)	(10,946)
Other results integrals of year	-	-	-	-	853	-	853
Total results integrals of year	-	-	-	-	853	(10,946)	(10,093)
Capital reduction	(227,620)	-	(986)	-	-	228,606	-
Others	3	-	-	-	-	1	4
Balances as of September 30, 2023	906,683	(60,934)	9,709	(173,234)	(8,583)	(308,377)	365,264

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, 2023 and 2022

	Note	September 30, 2023	September 30, 2022
		US\$(000)	US\$(000)
Operating activities			
Collection of sales proceeds		783,284	848,601
Refund of the credit balance in favor of the exporter and taxes		17,936	27,793
Payments to suppliers and third parties		(531,583)	(581,268)
Payments to workers		(89,011)	(78,438)
Income tax payments		(15,784)	(16,725)
Royalties		(2,986)	(13,365)
Cash flows from operating activities, net		162,695	186,598
Investing activities			
Payments corresponding to:			
Disbursements for the acquisition of mining rights, property, plant and equipment	7	(54,170)	(84,776)
Disbursements for exploration and development activities	9	(66,046)	(64,083)
Cash flows (used in) investment activities, net		(120,216)	(148,859)
Financing activities			
Collection corresponding to:			
Obtaining financial obligations		-	413,703
Payments corresponding to:			
Amortization of overdrafts and other financial liabilities	10	(20,018)	(537,288)
Premium payments and bond repurchase expenses		2,281	(414)
Interest payment	10	(43,755)	(39,093)
Cash flows (used in) from financing activities, net		(61,492)	(163,092)
Increase (Decrease) in cash and cash equivalents for the period		(19,013)	(125,353)
Cash and cash equivalents at the beginning of the period		73,600	231,187
Cash and cash equivalents at the end of the period	4	54,587	105,834
Transactions that do not generate cash flows:			
Acquisition of assets under financial lease		1,241	15,204
Vehicle Leases	8	11,744	6,412

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, 2023 and December 31, 2022

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.

Volcan carries out its activities in the following units: Ticilio, Mahr Tunel, Carahuacra, San Cristobal, Andaychagua and Carapongo, these are located on Central Highway No. 168, department of Junin.

In the Subsidiaries, its concentrator plants are mainly located at Animon No. 44, province of Huayllay, department of Cerro de Pasco and on the Lima KM highway. 174, province of Santa Barbara de Carhuacayan, department of Junín.

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) Basis of preparation:

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In accordance with current International Financial Reporting Standards (IFRS), there is no obligation to prepare separate financial statements; but in Peru, companies have the obligation to prepare them in accordance with current legal regulations. Due to this, the Company has prepared separate financial statements in accordance with IAS 27, Separate Financial Statements. These financial statements are made public within the term established by the Superintendence of the Securities Market (SMV).

(c) Approval of consolidated financial statements -

The consolidated financial statements as of September 30, 2023 were approved by the Company's Management on October 31, 2023. The consolidated financial statements as of December 31, 2022 were approved by the Shareholders' Meeting on March 31, 2023.

(d) 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, 2023	December 31, 2022	
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Perú
Óxidos de Pasco S.A.C.	100.00	100.00	Perú
Empresa Administradora de Cerro S.A.C.	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
Electric power generation:			
Hidroeléctrica Huanchor S.A.	100.00	100.00	Perú
Empresa de Generación Eléctrica Río 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
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.

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.

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.

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.

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.

The Company is mainly engaged in the sale of energy through the operation and maintenance of generating plants of electrical transmission systems. To do this, it has the 19,632 MW Huanchor Hydroelectric Power Plant and the 1.2 MW Tamboraque Mini Hydroelectric Power Plant, both located in the district of San Mateo, province of Huarochirí, Lima.

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. The Rucuy hydroelectric plant restarted its operations in the first half of 2019.

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.

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.

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.

(e) Fusion -

The General Meeting of shareholders of Compañía Minera Chungar S.A.C. and Óxidos de Pasco S.A.C. approved the merger by absorption project of Minera San Sebastian AMC S.R.L. and Compañía Minera Vichaycocha S.A.C., and Remediadora Ambiental S.A.C., respectively on November 30, 2022.

The effective date of the merger was December 1, 2022.

The equity block absorbed by Compañía Minera Chungar S.A.C. is made up of:

	Compañía Minera Vichaycocha S.A.C. November 30, 2022	Minera San Sebastian AMC S.R.L. November 30, 2022
	US\$(000)	US\$(000)
Assets		
Current Assets		
Cash and cash equivalents	16	3
Other accounts receivable	28	29
Inventories, net	-	4
Total current assets	<u>44</u>	<u>36</u>
Total assets	<u>44</u>	<u>36</u>
Liabilities		
Trade accounts payable	153	152
Accounts payable to related entities	133	61
Other accounts payable	<u>2,012</u>	<u>31</u>
Total current liabilities	<u>2,298</u>	<u>244</u>
Non-current Liabilities		
Provision for contingencies	76	-
Provision for closing of mining units and communities	<u>5,664</u>	<u>5,360</u>
Total non-current liabilities	<u>5,740</u>	<u>5,360</u>
Total liabilities	<u>8,038</u>	<u>5,604</u>
Net Value of the patrimonial block absorbed by Compañía Minera Chungar S.A.C.	<u>(7,994)</u>	<u>(5,568)</u>

The equity block absorbed by Óxidos de Pasco S.A.C. is made up of:

	Remediadora Ambiental S.A.C. November 30, 2022
	<u>US\$(000)</u>
Assets	
Current Assets	
Cash and cash equivalents	2
Other accounts receivable	330
	<u>332</u>
Total current assets	<u>332</u>
Total assets	<u>332</u>
Liabilities	
Accounts payable to related entities	15,639
	<u>15,639</u>
Total current liabilities	<u>15,639</u>
Net Value of the patrimonial block absorbed by Óxidos de Pasco S.A.C.	<u>(15,307)</u>

(f) 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\$125,000 thousand, (ii) fully repaid the syndicated loan for US\$303,000 thousand, including accrued interests, and (iii) repaid other medium-term loans for US\$34,000 thousand. Remaining balance of funds received from the new issuance of bonds was destined for expenses related to the operation for US\$13,000 thousand.

On June 21, 2022, the partial repurchase of the "Senior Notes Due 2026" was made for US\$110,000 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.

As of December 31, 2021, the balance of the bond issue amounted to US\$410,264 thousand. On February 02, 2022, the principal and interest of the bond called "5.375% Senior Notes Due 2022" was fully paid.

(g) **Syndicated Loan**

In August 2020, 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.

On December 29, 2021, the syndicated loan contract was signed for US\$400,000 thousand, with the following entities being lenders: Banco Santander, S.A.; Citibank, N.A., acting through its international banking facility; Citibank, N.A.; Bank of Nova Scotia; International Bank of Peru S.A.A.; Inter-American Bank of Finances; Credit and Investment Bank, S.A.; Latin American Bank of Foreign Trade, S.A.; Bancaribe Curacao Bank N.V.; Banco de Credito del Peru and Banco de Occidente Panama, S.A. The interest rate is variable, equivalent to LIBOR (3m) plus a margin calculated based on the company's credit rating. Currently the applicable margin is 325 bps.

On January 25, 2022, Volcan Compañía Minera S.A.A. received the disbursement of US\$400,000 corresponding to the syndicated loan. The funds of this loan were used in full to pay the obligations under the existing bonds called "5.375% Senior Notes due 2022".

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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\$0.276 and US\$0.262 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.

As of September 30, 2023, the Company and Subsidiaries has no financial instruments, see note 6 Other financial liabilities.

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.

A derivative with a positive fair value is recognized as a financial asset, while a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Company and Subsidiaries have both the legal right and the intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a host financial asset contract within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured at amortized cost or fair value, as appropriate.

Derivatives embedded in hybrid contracts with a host contract that are not financial assets within the scope of IFRS 9 (for example, financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract, and the host contracts are not measured at fair value through profit or loss.

If the hybrid contract is a listed financial liability, instead of separating the embedded derivative, the Company generally designates the entire hybrid contract at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months.

Hedge accounting

The Company and Subsidiaries designate certain derivatives as hedging instruments with respect to commodity price risk, and interest rate risk in fair value hedges and cash flow hedges.

At the beginning of the hedging relationship, the Company and Subsidiaries document the relationship between the hedging instrument and the hedged item, together with their risk management objectives and their strategy to carry out various hedging transactions. In addition, at the inception of the hedge and on an ongoing basis, the Company and

Subsidiaries document whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedging instrument and the hedged item;
- The effect of credit risk does not dominate the value of the changes resulting from the economic relationship; and
- The coverage ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Company and Subsidiaries actually hedge and the amount of the hedging instrument that the Company and Subsidiaries actually use to hedge that amount of the hedged item.

If a hedging relationship no longer meets the hedge effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Company and Subsidiaries adjust the hedging relationship of the hedging relationship (ie, rebalance the hedge) so that it meets the qualification criteria again.

The Company and Subsidiaries designate the full change in fair value of a forward contract (ie, includes forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Company and Subsidiaries designate only the intrinsic value of the option contracts as a hedged item, that is, excluding the time value of the option. Changes in the fair value of the option's aligned time value are recognized in other comprehensive income and accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is related to the time period, then the amount accumulated in the cost of the hedge reserve is reclassified to profit or loss on a rational basis: the Company and Subsidiaries apply straight-line amortization. Those reclassified amounts are recognized in profit or loss on the same line as the hedged item. If the hedged item is a non-financial item, the amount accumulated in the cost of the hedge reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. In addition, if the Company and Subsidiaries expect that part or all of the accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be immediately reclassified to results.

Fair value hedges

The change in the fair value of the qualified hedging instruments is recognized in results, except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item that has not yet been measured at fair value is adjusted for the change in fair value attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the book value is not adjusted since it is at fair value, but the hedged gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedged gain or loss remains in other comprehensive income to match that of the hedging instrument.

When hedging gains or losses are recognized in profit or loss, they are recognized on the same line as the hedged item.

The Company and Subsidiaries discontinue hedge accounting only when the hedging relationship (or a part of it) ceases to meet the qualification criteria (after rebalancing, if applicable). This includes cases where the hedging instrument expires or is sold, canceled or exercised. The suspension is accounted for prospectively. The fair value adjustment to book value of the hedged item arising from the hedged risk is amortized to results as of that date.

The effects of changes in the fair value of fair value hedges are presented in the consolidated statements of other comprehensive income.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualified hedging instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the cash flow hedge reserve caption, limited to the cumulative change in the fair value of the hedged item since the inception of the hedge. The gain or loss related to the ineffective portion is recognized immediately in results.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. In addition, if the Company and Subsidiaries expect that part or all of the accumulated loss in the cash flow hedge reserve will not be recovered in the future, that amount will be immediately reclassified to results.

The Company and Subsidiaries discontinue hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualification criteria (after rebalancing, if applicable). This includes cases where the hedging instrument expires or is sold, canceled or exercised. The suspension is accounted for prospectively. Any gain or loss recognized in

other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the accumulated gain or loss in the cash flow hedge reserve is immediately reclassified to profit or loss.

The effects of changes in the fair value of cash flow hedges are presented in the consolidated statements of other comprehensive income.

(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. See note 4 Cash and cash equivalents.

(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. See note 5 Inventories, net.

(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

See note 7 Property, plant and equipment, net.

- (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.

See note 9 Mining exploration and evaluation costs.

(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) 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.

(k) 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.

See note 8 Asset for right of use.

(l) 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.

(m) 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.

After initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a financial expense, while increases and decreases due to changes in estimated future cash flows are capitalized and depreciated over the life of the related asset. Actual costs incurred in settling the site restoration liability are recorded against the provision to the extent that the provision has been determined for such costs. A gain or loss may be recorded after settlement of the liability while the asset is depreciated against proven and probable reserves using the units-of-production depreciation method. The related depreciation is recognized as an expense.

(n) 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.

(o) 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.

See note 13 Net sales.

- (p) 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.

See note 14 Cost of sales.

(q) 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.

(r) 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.

(s) 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.

See note 11 Deferred income tax.

(t) 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.

(u) 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, 2023 US\$(000)	As of December 31, 2022 US\$(000)
Funds available:		
Fixed fund	-	16
Bank checking accounts	53,266	72,302
Other Funds	1,321	1,282
	<u>54,587</u>	<u>73,600</u>

5. Inventories

The composition of this heading is presented below:

	As of September 30, 2023 US\$(000)	As of December 31, 2022 US\$(000)
Concentrates	6,386	11,036
Raw material (extracted ore)	12,908	13,547
Pyrite stockpiles	5,774	6,218
Miscellaneous supplies	47,862	49,271
Inventories in transit	534	1,018
	<u>73,465</u>	<u>81,091</u>
Impairment estimate	(17,372)	(17,779)
Total	<u>56,092</u>	<u>63,311</u>
Non-current portion	<u>5,774</u>	<u>6,218</u>
Current portion	<u>50,318</u>	<u>57,093</u>

During 2023, the net realizable value provision for concentrates was updated obtaining a net effect of US\$ 407 thousand of loss.

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, 2023	As of December 31, 2022
	US\$(000)	US\$(000)
Fair value of hedging derivatives	3,752	-
Settled derivative financial instruments ans premiums	751	-
	4,503	-
Less: non-current portion	-	-
Current portion	4,503	-

The Company and Subsidiaries use derivative instruments to reduce market risks to which it is exposed.

The risks refer mainly to the effects of changes in the prices of the metals traded by the Company and Subsidiaries, which fluctuate constantly.

Mineral price hedging operations

As of September 30, 2023, the Company and Subsidiaries had entered into contracts for price hedging operations to insure future flows from their sales.

The critical terms of the hedging transactions have been negotiated with the intermediaries in order to match the terms negotiated in the related contracts.

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

	Hedging Financial Derivatives	Income tax	Unrealized Gains (losses)
	US\$(000)	US\$(000)	US\$(000)
Balances as of December 31, 2021	(13,481)	3,977	(9,504)
Total change in Financial investments	(4,604)	1,358	(3,246)
Balances as of September 30, 2022	(18,085)	5,335	(12,750)
Balances as of December 31, 2022	(13,385)	3,949	(9,436)
Total change in hedging derivative financial instruments	2,974	(877)	2,097
Total change in Financial investments	(1,765)	521	(1,244)
Balances as of September 30, 2023	(12,176)	3,593	(8,583)

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2023	Additions	Sales and/or withdrawals	Transfers	Corporate Deregistration	Impairment estimate	Balances as of September 30, 2023
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
2023							
Cost							
Land	23,919	(16)	-	(608)	-	-	23,295
Buidings and other constructions	1,078,997	3	-	85,255	-	-	1,164,255
Environmental management program infrastrl	259	-	-	421	-	-	680
Machinery and equipment	193,491	1,579	(758)	(946)	-	(38)	193,328
Transportation units	3,500	-	(61)	35	-	(49)	3,425
Furniture and fixtures and IT equipment	10,485	25	-	50	-	-	10,560
Miscellaneous equipment	399,352	5,568	(147)	18,009	-	(1,042)	421,740
Units in transit	1,620	2,473	-	(209)	-	(775)	3,109
Works in progress	104,404	30,906	(498)	(34,060)	-	(479)	100,273
	1,816,027	40,538	(1,464)	67,947	-	(2,383)	1,920,665
Accumulated depreciation							
Buidings and other constructions	(564,168)	(53,278)	-	(51,875)	-	-	(669,321)
Environmental management program infrastrl	(259)	-	-	(421)	-	-	(680)
Machinery and equipment	(140,060)	(10,365)	160	946	-	-	(149,319)
Transportation units	(2,801)	(141)	61	14	-	-	(2,867)
Furniture and fixtures and IT equipment	(7,807)	(411)	-	(50)	-	-	(8,268)
Miscellaneous equipment	(288,020)	(18,289)	5	(16,910)	-	-	(323,214)
	(1,003,115)	(82,484)	226	(68,296)	-	-	(1,153,669)
Net cost	812,912						766,996
2022							
Cost							
Cost	1,929,620	129,491	(286,780)	(227)	5	43,920	1,816,029
Accumulated depreciation	(1,173,101)	(111,450)	281,439	-	(5)	-	(1,003,117)
Net cost	756,519						812,912

8. Assets by right of use

The activity and composition of this heading are presented below:

	Balances as of January 1, 2023	Additions	Sales and/or withdrawals	Transfers	Estimation for deterioration	Balances as of September 30, 2023
<u>2023</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost						
Operating machinery	10,255	5,878	(2,685)	35	-	13,483
Vehículos	10,403	5,867	(5,906)	407	-	10,771
Estate	170	-	-	-	-	170
	20,828	11,745	(8,591)	442	-	24,424
Accumulated depreciation						
Maquinaria de operación	(2,685)	(1,219)	2,685	(35)	-	(1,254)
Vehículos	(6,661)	(2,199)	5,906	(456)	-	(3,410)
Inmuebles	(97)	(42)	-	-	-	(139)
	(9,443)	(3,460)	8,591	(491)	-	(4,803)
Net cost	11,385					19,621
<u>2022</u>						
Cost	44,253	14,886	(37,511)	-	(800)	20,828
Accumulated depreciation	(39,868)	(7,086)	37,511	-	-	(9,443)
Net cost	4,385					11,385

9. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2023	Additions	Sales and/or withdrawals	Transfers	Value Adjustment	Estimation for deterioration	Balances as of September 30, 2023
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
2023							
Cost							
Mining rights and concessions	272,001	-	-	58	-	-	272,059
Exploration	312,547	9,584	-	18,710	-	-	340,841
Development and stripping costs	830,575	56,462	-	28,255	-	-	915,292
Closing of mining units	217,595	-	-	-	-	-	217,595
Communal rights	24,645	-	-	-	-	-	24,645
Other intangible assets	15,018	1,631	-	775	-	-	17,424
	1,672,381	67,677	-	47,798	-	-	1,787,856
Accumulated amortization							
Mining rights and concessions	(211,841)	(3,990)	-	-	-	-	(215,831)
Exploration	(163,385)	(14,998)	-	(18,710)	-	-	(197,093)
Development and stripping costs	(502,615)	(35,599)	-	(28,255)	-	-	(566,469)
Closing of mining units	(80,728)	(13,757)	-	-	-	-	(94,485)
Communal rights	(6,814)	(1,612)	-	-	-	-	(8,426)
Other intangible assets	(7,060)	(895)	-	(436)	-	-	(8,391)
	(972,443)	(70,851)	-	(47,401)	-	-	(1,090,695)
Net cost	699,938						697,161
2022							
Cost	1,676,340	109,335	(8,169)	227	63,837	(169,190)	1,672,381
Accumulated amortization	(874,357)	(106,255)	8,169	-	-	-	(972,443)
Net cost	801,983						699,938

10. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2023	Others	Loans	Payment	Balances as of September 30, 2023	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	6,370	-	-	(2,912)	3,458	2,855	603
Scotiabank Perú S.A.A.	20,204	-530	1,240	(7,281)	13,633	8,879	4,754
Financial Institutions - loans							
Banco internacional del Perú-Interbank	440	1	-	(441)	-	-	-
Banco internacional del Perú-Interbank	552	5	-	(557)	-	-	-
Banco internacional del Perú-Interbank	180	1	-	(181)	-	-	-
Banco internacional del Perú-Interbank	556	11	-	(567)	-	-	-
Banco internacional del Perú-Interbank	228	5	-	(233)	-	-	-
Scotiabank Perú S.A.A.	562	10	-	(515)	57	57	-
Scotiabank Perú S.A.A.	250	4	-	(229)	25	25	-
Syndicated loans	400,000	-	-	-	400,000	68,571	331,429
Fees	(3,045)	761	-	-	(2,284)	(979)	(1,305)
Bonds 475 MM	365,000	-	-	-	365,000	-	365,000
Emissions costos - Bonds	(3,398)	826	-	-	(2,572)	-	(2,572)
	787,899	1,094	1,240	(12,916)	777,317	79,408	697,909
Interest payable	12,597	-	40,815	(43,755)	9,657	9,657	-
Interest payable - leasing	-	-	508	(508)	-	-	-
Operating lease (IFRS 16)	10,972	877	11,744	(6,594)	16,999	9,633	7,366
	23,569	877	53,067	(50,857)	26,656	19,290	7,366
TOTAL	811,468	1,971	54,307	(63,773)	803,973	98,698	705,275
Financial obligations current	34,697				98,698		
Financial obligations non-current	776,771				705,275		

11. Deferred income tax

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

	As of September 30, 2023	As of December 31, 2022
	US\$(000)	US\$(000)
Deferred assets		
Provision for the closing of mining units	62,178	62,553
Expenses of amortization of property, plant and equipment and amortization of mining rights and concessions, exploration, development and stripping costs	52,158	52,259
Recoverable tax loss	21,659	22,034
Contingencies provisions	8,641	7,428
Fair value Polpaico Cement	7,596	7,075
Provision for communities	4,909	5,778
Interest undercapitalization	4,895	4,863
Estimation for devaluation of inventories	4,848	3,047
Vacation payments outstanding	3,574	3,694
Provision for operating lease	1,742	1,812
Fair value of derivates financial instruments	717	730
Provision of mining royalties	250	119
Other minors	1,853	1,882
	<u>175,020</u>	<u>173,274</u>
Deferred liabilities		
Utilization of amortization of mining rights and concessions, exploration, development and stripping costs and amortization of property, plant and equipment	241,015	240,515
Effect by translation of the tax benefits to dollars	50,979	57,424
Fair value of shares	4,601	4,747
Financial expenses due to financial obligations	1,433	1,901
Derivative financial instruments	230	-
Insurance indemnity	-	2,025
Embedded derivative and sales adjustment	-	988
Other minors	3,845	1,951
	<u>302,103</u>	<u>309,551</u>
Assets (Liabilities) Net deferred	<u>(127,083)</u>	<u>(136,277)</u>

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

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2023 US\$(000)	2022 US\$(000)	2023 US\$(000)	2022 US\$(000)
Income Tax				
Current	564	(1,270)	(10,105)	(27,914)
Deferred	(9,549)	1,837	9,550	16,214
	<u>(8,985)</u>	<u>567</u>	<u>(555)</u>	<u>(11,700)</u>
Tax on mining royalties	(2,748)	(2,327)	(8,331)	(10,648)
Contribution to the retirement fund	36	52	(131)	(375)
Total income (loss) tax expense	<u>(11,697)</u>	<u>(1,708)</u>	<u>(9,017)</u>	<u>(22,723)</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, 2023, their quotation was S/ 0.99 and S/ 0.381 per share, respectively (S/ 1.50 and S/ 0.51 per share, respectively, as of December 31, 2022).

The Class “A” common share has the right to vote at the company's General Shareholders' Meeting and the Class “B” share has the preferential right to participate in the distribution of cash dividends; as well as the other rights included in the Statute of the company and the applicable laws”.

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.

On July 3, 2023, the General Shareholders' Meeting of Volcan Compañía Minera S.A.A. was held, in which Class "A" shareholders and Class "B" shareholders participated, in which the following agreement was adopted:

The Board agreed to reduce the share capital of the Company by S/ 856,080,156.50, by reducing the nominal value of all Class "A" and Class "B" shares issued by the Company, that is, affecting the 4,076,572,175 shares issued by the Company, whose nominal value is reduced from S/ 0.87 to S/ 0.66.

As a consequence of the capital reduction agreement, the Board agreed to modify the text of Article Five of the Statute, so that it is worded as follows:

The subscribed and paid capital of the Company is S/ 2,690,537,635.50 represented by 1,633,414,553 Class "A" Common Shares and 2,443,157,622 Class "B" Common Shares with a nominal value of S/. 0.66 each.

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	
	2023 US\$(000)	2022 US\$(000)	2023 US\$(000)	2022 US\$(000)
Net concentrate sales				
Zinc	100,351	141,238	339,446	438,989
Lead	60,448	43,281	175,095	133,061
Copper	16,793	13,959	41,200	40,908
Silver	23,047	10,599	54,219	44,024
Silver Bars	24,013	23,449	63,254	83,928
Final settlement adjustments	(6,062)	(17,584)	(7,464)	2,870
	<u>218,590</u>	<u>214,942</u>	<u>665,750</u>	<u>743,780</u>
Embedded derivatives for the current period (a)	9,314	7,309	-3,863	(25,752)
Committed sales estimate	-	537	-	(2,623)
Gain (loss) realized on financial instruments	1,932	-	2,368	-
	<u>229,836</u>	<u>222,788</u>	<u>664,255</u>	<u>715,405</u>

(a) Embedded Derivate

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, 2023 and 2022, 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 losses for US\$ 3,863 thousand in the nine-months periods ended September 30, 2023 (US\$ 25,752 thousand loss as of September 30,2022), and are shown as part of net sales.

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	
	2023 US\$(000)	2022 US\$(000)	2023 US\$(000)	2022 US\$(000)
Concentrates beginning inventory	7,889	16,581	11,036	11,383
Raw materials (extracted ore) beginning inventory	13,017	14,293	13,547	19,610
Production cost:				
Labor	22,026	20,390	67,044	65,377
Rental, power and other expenses	72,201	71,757	209,139	208,507
Supplies used	30,477	35,256	96,189	99,733
Depreciation and amortization	50,999	53,143	149,572	160,521
Less - concentrates ending inventory	(6,386)	(14,495)	(6,386)	(14,495)
Less - raw materials (extracted ore) ending inventory	(12,908)	(12,869)	(12,908)	(12,869)
	<u>177,314</u>	<u>184,056</u>	<u>527,232</u>	<u>537,767</u>
Plant stoppage costs	6,259	7,124	18,366	23,794
Plant stoppage Depreciation and Amortization	757	399	1,536	2,015
Cost of sales - Plant stoppage maintenance	<u>7,015</u>	<u>7,523</u>	<u>19,902</u>	<u>25,809</u>
Total	<u>184,330</u>	<u>191,579</u>	<u>547,135</u>	<u>563,576</u>

15. Financial income (expenses)

The composition of this below:

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2023 US\$(000)	2022 US\$(000)	2023 US\$(000)	2022 US\$(000)
Financial income				
Loan interest	1,220	1,027	3,833	2,394
Another financial income	(994)	1,028	-	8,133
Dividends	-	-	-	617
Total other financial income	226	2,055	3,833	11,144
Financial expenses				
Interest on bonds issued	4,192	4,192	12,528	16,821
Financial costs for bond repurchase	-	133	-	1,546
Accrual of financial costs for anticipated cancellation of the syndicated loan	280	479	761	1,426
Interest on financial obligations	10,005	6,272	27,956	13,835
Effect of updating the present value of mine closure	843	773	2,541	2,329
Commissions and other expenses	2,557	1,330	7,181	3,527
Bond structuring expenses	221	220	661	1,745
	18,098	13,399	51,628	41,229
Closure of mines and communities	50	86	181	261
Operating lease (IFRS 16)	416	44	877	125
	466	130	1,058	386
Total financial expenses	18,564	13,529	52,686	41,615

16. Remuneration of the personal key

The remuneration of the key personnel of the Company and Subsidiaries as of September 30, 2023 and 2022 amounted to US\$ 9,314 thousand and US\$ 6,944 thousand, respectively and corresponds to salaries, participations, benefits and social charges, bonuses and extraordinary gratification.