Volcan Compañía Minera S.A.A. and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements
For the Years Ended
December 31, 2023 and 2022

(Free translation of a report originally issued in Spanish)

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

TABLE OF CONTENTS

Velásquez, Loli y
Asociados S. Civil de R.L.
RUC 20106910791
Las Begonias 441, Piso 6
San Isidro, Lima 27
Perú

Tel: +51 (1) 211 8585
Fax: +51 (1) 211 8586
www.deloitte.com/pe

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
Volcan Compañía Minera S.A.A. and Subsidiaries

Opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Volcan Compañía Minera S.A.A. and Subsidiaries** (hereinafter, "the Group"), which comprise the consolidated statements of financial position as of December 31, 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, as well as a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the financial position of the Group as of December 31, 2023, the results of operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved by the Junta de Decanos de los Colegios de Contadores Públicos del Perú (Board of Deans of the Peruvian Professional Associations of Certified Public Accountants). Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements relevant for our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of long-term assets

Description of the key audit matter

As indicated in Notes 13, 14 and 15 to the consolidated financial statements, as of December 31, 2023, the Company and Subsidiaries have long-term assets for a net depreciation and impairment value of US$1,440 million. In this regard, in 2023, the Group recorded an impairment of US$125 million and recovery of US$89 million as a result of its assessment of the recoverable value of those assets. To this effect, Management made significant estimates regarding different factors, such as future mineral prices, proven and probable reserves and inferred resources that determine the net production value, head grades, operating costs, capital expenditures and discount rate. Due to the uncertainty in the estimate, we have identified this matter as a key audit matter.

Audit response to the key audit matter

- We obtained an understanding of the relevant method, judgments and assumptions used by Management, including the involvement of its specialists for the measurement of reserves and resources, discount rate, and others, and evaluated whether there were relevant changes compared to 2022.
- We tested the design and implementation of Management's relevant review control about the estimate of the value in use and used assumptions and judgments.
- We involved our specialists in valuations and our mining specialists to challenge the method to calculate the projected cash flows, the assumptions and information sources used by Management including the sensitivity of those assumptions, in particular, regarding the projected selling prices for minerals, estimate of reserves and resources and net production value, recovery and mineral conversion rates in the production process, head grades and discount rate used to determine the value in use.
- We evaluated the appropriateness of the disclosures related to the key assumptions used.

2. Going concern

Description of the key audit matter

As indicated in Note 3 to the consolidated financial statements, Management prepares the consolidated financial statements under the going concern principle based on the judgment that there are no events or conditions that can contribute material uncertainties about the Company's capacity to continue as a going concern. We have identified this matter as a key audit matter since Management's judgment is based on the forecast of income and cash flows that depend on significant assumptions, such as the selling price of the mineral and production costs, within a period of no less than the next 12 months.

Audit response to the key audit matter

- We reviewed the forecast of cash flows prepared by Management.
- We evaluated the expected compliance with the financial commitments of the Company and Subsidiaries.
- We reviewed the availability of credit lines with financial entities.
- We evaluated the appropriateness of the disclosures in the consolidated financial statements.

3. Liability for asset disposal and mine closure

Description of the key audit matter

As indicated in Note 33 to the consolidated financial statements, the Group has a provision for US$263 million to restore and rehabilitate the environment affected by its operations and for the disposal of assets. This provision is governed by a combination of legislative requirements and policies of the Company and includes significant estimates such as: i) costs for rehabilitation and dismantling activities of assets, ii) the period of time to make future related disbursements, and iii) discount rate.

Audit response to the key audit matter

- We obtained an understanding of how the Group determines the calculation method, identifies the relevant assumptions and data sources, and the need of changes in them.
- We evaluated whether the judgments, significant assumptions, and data to develop the estimate are consistent with the guidelines of the local regulatory entity, and whether the inflation rate and discount rate used in the calculation are aligned with the market.
- We examined the competence, capacity, objectivity, and nature of the work of the internal expert who assisted the Group in the preparation of the estimate.
- We evaluated the appropriateness of the disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the report but does not include the consolidated financial statements and our auditor's report thereon. We expect to have the other information after the date of this audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance of the Company.

Responsibilities of Management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance of the Group, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

The translation of this report has been made solely for the convenience of English-speaking readers and has been derived from the consolidated financial statements originally issued in Spanish.

Velásquez, Loli y Asociados S. Civil de R. L.

Countersigned by:

Marco Roca P.
_____________________ (Partner)
Marco Roca Peña
CPC Registration No. 33204

February 26, 2024

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022
(In thousands of U.S. dollars (US$000))

	Notes	2023 US$000	2022 US$000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	61,642	73,600
Trade accounts receivable (net)	9	20,316	28,586
Other accounts receivable (net)	10	77,038	65,389
Inventories (net)	12	48,305	57,093
Other financial assets	11	655	-
Total current assets		207,956	224,668
NON-CURRENT ASSETS:			
Other accounts receivable (net)	10	35,970	34,262
Investment in associate	7	148,118	147,801
Financial investments	8	37,158	38,704
Inventories (net)	12	5,619	6,218
Property, plant and equipment (net)	13	771,778	812,912
Right-of-use assets (net)	14	17,926	11,385
Mining concessions, exploration and development costs and other assets (net)	15	650,650	699,938
Total non-current assets		1,667,219	1,751,220
TOTAL		1,875,175	1,975,888

	Notes	2023 US$000	2022 US$000
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Bank overdrafts		1,046	198
Financial obligations	16	136,326	34,697
Trade accounts payable	17	242,213	259,859
Other accounts payable	18	60,495	66,249
Deferred income		21	-
Total current liabilities		440,101	361,003
NON-CURRENT LIABILITIES:			
Financial obligations	16	667,543	776,771
Other accounts payable	18	-	3,200
Provisions	19	323,474	323,284
Deferred income tax	28 (a)	78,857	136,277
Deferred income		602	-
Total non-current liabilities		1,070,476	1,239,532
Total liabilities		1,510,577	1,600,535
EQUITY:			
Issued capital stock	20 (a)	906,680	1,134,300
Higher value in acquisition of treasury shares	20 (b)	(173,234)	(173,234)
Treasury shares	20 (c)	(60,934)	(60,934)
Legal reserve	20 (d)	10,416	10,695
Accumulated other comprehensive income	20 (e)	(10,208)	(9,436)
Accumulated losses		(308,122)	(526,038)
Total equity		364,598	375,353
TOTAL		1,875,175	1,975,888

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. dollars (US$000))

	Notes	2023 US$000	2022 US$000
Net sales	21	883,086	951,266
Cost of sales	22	(725,507)	(762,743)
Gross profit		157,579	188,523
Administrative expenses	23	(55,157)	(69,346)
Selling expenses	24	(30,563)	(24,852)
Other income	25	63,429	60,068
Other expenses	25	(78,507)	(87,465)
Impairment loss of long-term assets	26	(36,200)	(126,069)
Operating profit (loss)		20,581	(59,141)
Financial income	27	5,793	14,751
Financial expenses	27	(70,526)	(57,124)
Loss before income tax		(44,152)	(101,514)
Income tax	28	34,169	20,132
Net loss for the year		(9,983)	(81,382)
Weighted average of the number of outstanding shares (in thousands)	29	3,857,594	3,857,594
Basic and diluted loss per share	29	(0.003)	(0.021)

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. dollars (US$000))

	2023	2022
	US$000	US$000
Net loss for the year	(9,983)	(81,382)
OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss:		
Unrealized (loss) profit of investments in equity instruments	(1,269)	96
Deferred income tax	374	(28)
	(895)	68
Items that can be subsequently reclassified to profit or loss:		
Unrealized profit of derivative financial instruments	173	-
Deferred income tax	(51)	-
Total other comprehensive income that can be subsequently reclassified to profit or loss	122	-
Total comprehensive income, net of income tax	(10,755)	(81,314)

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. dollars (US$000))

	Issued capital stock US$000 Note 20 (a)	Higher value in acquisition of treasury shares US$000 Note 20 (b)	Treasury shares US$000 Note 20 (c)	Legal reserve US$000 Note 20 (d)	Accumulated other comprehensive income US$000 Note 20 (e)	Accumulated losses US$000	Total equity US$000
Balance as of January 1, 2022	1,134,300	(173,234)	(60,934)	10,695	(9,504)	(444,656)	456,667
Comprehensive income							
Net loss for the year	-	-	-	-	-	(81,382)	(81,382)
Other comprehensive income for the year	-	-	-	-	68	-	68
Total comprehensive income for the year	-	-	-	-	68	(81,382)	(81,314)
Balance as of December 31, 2022	1,134,300	(173,234)	(60,934)	10,695	(9,436)	(526,038)	375,353
Comprehensive income							
Net loss for the year	-	-	-	-	-	(9,983)	(9,983)
Other comprehensive income for the year	-	-	-	-	(772)	-	(772)
Total comprehensive income for the year	-	-	-	-	(772)	(9,983)	(10,755)
Capital decrease	(227,620)	-	-	(986)	-	228,606	-
Legal reserve	-	-	-	707	-	(707)	-
Balance as of December 31, 2023	906,680	(173,234)	(60,934)	10,416	(10,208)	(308,122)	364,598

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. dollars (US$000))

	2023	2022
	US$000	US$000
OPERATING ACTIVITIES:		
Collections from:		
Sales	1,039,336	1,097,004
Return of credit balance subject to profit and taxes	27,723	33,041
Payments to/for:		
Suppliers and third parties	(669,275)	(651,506)
Employees	(119,659)	(106,815)
Income tax	(18,322)	(19,857)
Royalties	(11,411)	(15,993)
Net cash and cash equivalents provided by operating activities	248,392	335,874
INVESTING ACTIVITIES:		
Payments for:		
Purchase of property, plant and equipment	(85,548)	(168,831)
Increase of exploration and development costs, and other assets	(94,382)	(120,696)
Net cash and cash equivalents used in investing activities	(179,930)	(289,527)
FINANCING ACTIVITIES:		
Collection from:		
Obtainment of financial obligations	-	396,955
Payments for:		
Financial obligations	(25,389)	(548,423)
Overdrafts and other financial liabilities	(848)	(971)
Premium for bond repurchase	-	(3,300)
Interests	(54,183)	(48,195)
Net cash and cash equivalents used in financing activities	(80,420)	(203,934)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,958)	(157,587)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	73,600	231,187
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	61,642	73,600

Transactions that do not result in cash flows are described in Note 35.

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

1. INCORPORATION, ECONOMIC ACTIVITY, APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS, SUBSIDIARIES, AND OTHER CONTRACTUAL MATTERS

(a) Incorporation and economic activity

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.

Total common class A voting shares and class B non-voting 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 and Cerro in the departments of Cerro de Pasco, Junín, and Lima. The Subsidiaries engaged in the electric power generation business have authorizations and electric power generation concessions for self-consumption in their mining operations of Animon and for sale to third parties through firm power or spot price agreements. Subsidiaries Huanchor and EGERBA engaged in the electric power generation business operate in the department of Lima and are connected to National Interconnected Electrical System (SEIN).

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

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

(b) Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2023 have been approved by the Company’s Management on February 15, 2024 and will be submitted to the Board of Directors and Shareholders for approval. Management believes that the accompanying consolidated financial statements will be approved by the Annual Mandatory Shareholders’ Meeting as presented. The consolidated financial statements as of December 31, 2022 were approved by the Annual Mandatory Shareholders’ Meeting held on March 31, 2023.

(c) Subsidiaries

The Subsidiaries included in the preparation of the accompanying consolidated financial statements are presented below:

Consolidated Subsidiaries and economic activity	Direct and indirect interest in ownership 2023	Direct and indirect interest in ownership 2022	Domicile
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Peru
Empresa Administradora Cerro S.A.C. (4)	100.00	100.00	Peru
Empresa Explotadora de Vinchos Ltda. S.A.C.	100.00	100.00	Peru
Minera Aurífera Toruna S.A.C. (1)	80.00	80.00	Peru
Óxido de Pasco S.A.C. (4)	-	100.00	Peru
Electric power generation:			
Hidroeléctrica Huanchor S.A.	100.00	100.00	Peru
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	100.00	100.00	Peru
Compañía Hidroeléctrica Tingo S.A. (3)	100.00	100.00	Peru
Investments in general:			
Roquel Global S.A.C.	100.00	100.00	Peru
Compañía Industrial Limitada de Huacho S.A.	96.41	96.41	Peru
Empresa Minera Paragsha S.A.C.	100.00	100.00	Peru
Inversiones Portuarias Chancay S.A.A.	100.00	-	Peru

(1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
(2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
(3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
(4) Subsidiary Empresa Administradora Cerro S.A.C. absorbed Óxidos de Pasco S.A.C.

A description of the economic activity of each subsidiary is presented below:

(c.1) Mining exploration and operation

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. This company has 226 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

In addition, the Subsidiary has 10 hydroelectric power plants, from which 9 are located in Huaral and one in Cerro de Pasco. Six of these plants have a concession (4 indefinite and 2 definite) and four plants do not have a concession nor a permit since this plant has a production less than 500KW, as established in the Electrical Concessions Law. Based on the estimate of reserves and resources, the Company's Management has considered a useful life of mine until 2045.

Empresa Administradora 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 in its mining unit Cerro since its mining operations have stopped. The Subsidiary has 35 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33. Based on the estimate of reserves and resources, the Company's Management has considered a useful life of mine until 2030.

In addition, as a result of the merger with Óxidos de Pasco S.A.C., which became effective in October 2023, the Subsidiary is engaged in the treatment of oxidized minerals at a leach pad. The Subsidiary has one beneficiation concession with an indefinite term. Based on the estimate of reserves and resources, the Company's Management has considered a useful life of mine until 2029.

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

This company was incorporated for the exploration, development and operation of mineral deposits and its main activity was the exploration of its mining concessions through the financing of the Company and Subsidiaries. No activities have been developed in 2023 and 2022.

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 its projects. The Subsidiary has 5 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

Minera Aurífera Toruna S.A.C.

This company was incorporated for the exploration, development and operation of mineral deposits and its main activity was the exploration of its mining concessions through the financing of the Company and Subsidiaries. No activities have been developed in 2023 and 2022.

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 its projects. The Subsidiary has 7 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

(c.2) Electric power generation

Hidroeléctrica Huanchor S.A.C.

This company is mainly engaged in the sale of energy through the operation and maintenance of electric transmission system generation plants. For this, this company has the hydroelectric power plant of Huanchor of 19.768 MW and mini hydroelectric power plant of Tamboraque of 1.3 MW, both located in the district of San Mateo, province of Huarochiri, Lima. The Subsidiary has a definite electrical concession.

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

This company is mainly engaged in the sale of energy through the operation and maintenance of the hydroelectric power plant of Rucuy of 20.27 MW, located in the district of Pacaraos, province of Huaral, department of Lima. The Subsidiary has a definite electrical concession.

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 1.25 MW and 82 km of transmission lines of 22.9 and 50 KV. The Subsidiary has a definite electrical concession.

(c.3) Investments in general

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. This company performed municipal procedures for the award of acquired land in 2019 (sanitation stage), which are still in progress. This company is seeking a strategic partner for the Industrial Logistics Complex Project, which is undergoing an initial stage.

Compañía Industrial Limitada de Huacho S.A.

This company is mainly engaged in real estate activities.

Empresa Minera Paragsha S.A.C.

This company was incorporated for exploration, operation, assignment, and mining usufruct; however, its main activity now is the purchase and sale of investments in equity instruments. This subsidiary has shares of the Company and Cementos Polpaico S.A. (Note 8). This subsidiary has 47 mining concessions with an indefinite term, from which there are 43 concessions with an indefinite term and 4 concessions with extinction resolutions.

Inversiones Portuarias Chancay S.A.A.

This company was registered in Entry No. 15416224 of the Registration Office of Lima of the National Superintendence of Public Records on October 3, 2023. According to Volcan's Shareholders' Meeting held on August 24, 2023, this company was incorporated to acquire, develop and negotiate interests or equity rights in companies engaged in port and logistics activities of any kind, as well as any related services.

The Shareholders' Meeting approved the split-off project including the split-off of a block of equity comprised by 40% of shares in Cosco Shipping Ports Chancay Peru S.A., owned by the Company, which is being executed as per the activity schedule. The execution is expected to happen in 2024.

(c.4) Unconsolidated entities

The Company prepares its consolidated financial statements incorporating the balances and transactions of those entities over which it has control, regardless of the level of equity interest, except certain Subsidiaries since they are undergoing a liquidation process. Management believes that the financial statements of unconsolidated entities do not have relevant figures for the consolidated financial statements that could affect the economic decisions of users.

(c.5) Financial information of Subsidiaries

The financial statements of direct and indirect Subsidiaries (unaudited) as of December 31, 2023 are summarized below:

	Assets	Liabilities	Equity	Net profit (loss)
	US$000	US$000	US$000	US$000
Compañía Minera Chungar S.A.C.	747,519	577,540	169,979	(48,668)
Empresa Explotadora de Vinchos Ltda. S.A.C.	157	24,906	(24,749)	(1,241)
Empresa Minera Paragsha S.A.C.	147,116	106,254	40,862	(10,883)
Minera Aurífera Toruna S.A.C. (1)	12	3,961	(3,949)	(403)
Hidroeléctrica Huanchor S.A.C.	50,162	32,124	18,038	(9,266)
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	46,366	14,728	31,638	13,782
Compañía Hidroeléctrica Tingo S.A. (3)	20,592	2,225	18,367	999
Roquel Global S.A.C.	18,761	2,906	15,855	(804)
Compañía Industrial Limitada de Huacho S.A.	6,849	298	6,551	317
Empresa Administradora Cerro S.A.C.	397,503	188,241	209,262	99,944
Inversiones Portuarias Chancay	-	1	(1)	(1)
Unconsolidated entities	34	-	34	-
	1,435,071	953,184	481,887	43,777

The financial statements of direct and indirect Subsidiaries (unaudited) as of December 31, 2022 are summarized below:

	Assets	Liabilities	Equity	Net profit (loss)
	US$000	US$000	US$000	US$000
Compañía Minera Chungar S.A.C.	698,575	475,787	222,788	(48,819)
Empresa Explotadora de Vinchos Ltda. S.A.C.	78	23,586	(23,508)	(4,000)
Empresa Minera Paragsha S.A.C.	180,890	95,480	85,410	(5,939)
Minera Aurífera Toruna S.A.C. (1)	11	3,558	(3,547)	(461)
Hidroeléctrica Huanchor S.A.C.	64,600	4,637	59,963	2,874
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	45,950	32,417	13,533	890
Compañía Hidroeléctrica Tingo S.A. (3)	18,716	1,348	17,368	898
Roquel Global S.A.C.	18,328	1,669	16,659	(946)
Compañía Industrial Limitada de Huacho S.A.	6,420	132	6,288	423
Óxidos de Pasco S.A.C. (4)	236,332	25,376	210,956	56,985
Empresa Administradora Cerro S.A.C.	70,066	171,704	(101,638)	(6,774)
Unconsolidated entities	23	-	23	-
	1,339,989	835,694	504,295	(4,869)

(1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
(2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
(3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
(4) Subsidiaries absorbed due to merger in 2023.

(d) Merger

The Shareholders' Meeting of Empresa Administradora Cerro S.A.C. approved the merger by absorption to Óxidos de Pasco S.A.C. on September 29, 2023.

The effective date of the merger was October 1, 2023. The merger was performed at the carrying amount of the merged company as of September 30, 2023.

The block of equity absorbed by Empresa Administradora Cerro S.A.C. comprises the following:

	Óxidos de Pasco S.A.C. 30.09.2023
	US$000
ASSET	
Current asset	
Cash and cash equivalents	4,444
Trade accounts receivable (net)	1,032
Accounts receivable from related entities	93,852
Other accounts receivable	7,425
Inventory (net)	5,709
Total current asset	112,461
Non-current asset	
Property, plant and equipment (net)	117,763
Mining concessions, exploration and development costs	1,207
Deferred income tax	18,909
Total non-current asset	137,879
TOTAL ASSET	250,341
LIABILITY	
Current liability	
Trade accounts payable	11,436
Accounts payable to related entities	3,053
Other accounts payable	5,680
Financial obligations	222
Total current liability	20,391
Non-current liability	
Deferred income tax	13,563
Provisions	3,310
Total non-current liability	16,873
TOTAL LIABILITY	37,264
Net value of block of equity absorbed by Empresa Administradora Cerro S.A.C.	213,077

A description of the economic activity of the merged subsidiary is presented below:

Óxidos de Pasco S.A.C.

This entity was engaged in the treatment of oxidized minerals at a leach pad. This subsidiary had one beneficiation concession with an indefinite term. Based on the estimate of reserves and resources, the Company's Management considered a useful life of mine until 2051.

(e) Other contractual matters

(e.1) Subscription and Investment Agreement between Volcan Compañía Minera S.A.A. and Cosco Shipping Ports Limited

On January 23, 2019, the Company entered into with Cosco Shipping Ports Limited (CSPL) and its subsidiary Cosco Shipping (Chancay) Ports Limited (CSPL SPV), companies of the Peoples' Republic of China, with the participation of Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.) (CSPL), subsidiary of the Company until May 13, 2019, a subscription and investment agreement and a shareholders' agreement, under which CSPL, through its subsidiary CSPL SPV, became the shareholder of Cosco Shipping Ports Chancay Perú S.A. with 60% of shares of the capital stock for US$225,000 at the closing date, which is subject to the verification of the compliance with the Antitrust Law, provided by the international authorities of Ukraine and China.

On May 13, 2019, the strategic partner was incorporated with an interest of 60% of shares of CSPL though a capital increase. The Company holds and owns the remaining 40% of shares of the capital stock of Cosco Shipping Ports Chancay Perú S.A., thus it became from subsidiary to associate of the Company at that date (Note 7).

The definite completion of the transaction was mainly subject to the approval of the modification of the Environmental Impact Assessment (MEIA), which was obtained on September 22, 2020. That date, pursuant to Director's Resolution No. 00158-2020, the National Service of Environmental Certification for Sustainable Investments (SENACE) approved the modification of the Environmental Impact Assessment (MEIA-d) of the Expansion Project of the Operating Port Area – Stage 1 of the Multi-purpose Port Terminal Chancay. When the MEIA was approved, CSPL SPV made capital contributions in the first semester of 2021.

The infrastructure project is located 50 km. on the northern area of the Callao Port. This project consists in a multi-purpose port terminal that will have two specialized terminals: (i) a terminal for containers that will include 11 docks for this type of cargo; and (ii) a terminal for loading bulk, general and rolling cargoes that will have four docks. At the first stage, an area of 141 hectares will be developed with an investment of US$1,300,000.

At the Board of Directors' Meeting of Volcan Compañía Minera S.A.A. held on March 24, 2023, as shareholder of 40% of Cosco Shipping Ports Chancay Peru S.A., the financing granted by financial entities for US$975,000 was approved for the development of the Multi-purpose Port Terminal Chancay.

The guarantees will be covered by the assets of Cosco Shipping Ports Chancay Peru S.A.

The project represents a major infrastructure work and an important opportunity for economic development for the country since it will be part of China's new connectivity network with the rest of the world, comprised by sea and land lanes. The operations of this project are estimated to commence by the end of 2024.

(e.2) Bond issuance

"5.375% Senior Notes Due 2022"

On February 2, 2012, bonds known as "5.375% Senior Notes Due 2022" were issued and placed in its entirety in the international market for US$600,000, at an annual rate of 5.375%, maturing in 10 years, on February 2, 2022. Interests are paid in semiannual installments as from August 2,

2012. Financial compliance covenants were not established for this obligation, but certain limitations and levies were determined, as well as requirements for annual financial information presentation, which are described in Note 16 (b).

Capital and interests of “5.375% Senior Notes Due 2022” were fully paid on February 2, 2022.

“4.375% Senior Notes Due 2026”

On February 11, 2021, bonds known as “4.375% Senior Notes Due 2026” were issued and placed in their entirety in the international market for US$475,000 under Rule 144A and Regulation S of the U.S. Securities Act of the United States of America. The Company requested the inclusion of bonds in the Official List of the Luxembourg Stock Exchange and the admission for negotiation in the Euro MTF of the Luxembourg Stock Exchange.

These bonds mature in 5 years, on February 11, 2026, and accrue interests at an annual rate of 4.375%. Interests will be paid in semiannual installments as from August 11, 2021. Financial compliance covenants were not established for this obligation, but certain limitations were determined, as described in Note 16 (b).

The instruments issued by the Company were partially repurchased on June 21, 2022 for up to US$110,000 by using the Company’s available cash. A profit of US$6,600 was obtained from this transaction due to the discount obtained at the face value of the repurchased debt.

According to Management, the Company does not have any noncompliance event derived from the bond issuance agreement.

(e.3) Guarantee and Administration Trust Agreement entered into with Banco Internacional del Perú S.A.A., hereinafter “Interbank“

Interbank (trustee) and Volcan Compañía Minera S.A.A. (trustor) entered into this agreement on August 5, 2013. Pursuant to this agreement, a guarantee and administration trust fund was established, under which the Company transfers the administration of all the cash flows credited in its collection accounts, held in several financial entities, to Interbank under this trust. Commitments derived from this trust agreement are being met and allow ensuring cash flows to address the obligations of the Company and involved Subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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 December 31, 2023 and 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, which have been validated by the Accounting Standards Committee for their application in Peru. 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.

Historical cost is generally based on fair value of the consideration given for asset exchange.

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 and Subsidiaries consider 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, if necessary.

The Company and Subsidiaries' 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 their financial and operating policies in order to obtain benefits from their activities.

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

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

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

(c) Functional and presentation currency

The Company and each Subsidiary prepare and present their 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.

(d) Foreign currency transactions

Transactions in currencies other than the U.S. dollar are considered as “foreign currency transactions” and are recognized by applying the exchange rates effective at the date of transactions. At the end of each reporting period, balances of monetary items denominated in foreign currency are translated by applying the exchange rates effective at that date.

Balances of non-monetary items accounted for at fair value, denominated in foreign currency, are translated by applying the exchange rates applicable at the date when fair value was determined. Balances of non-monetary items recognized in historical cost terms, denominated in foreign currency, are translated by applying the exchange rates effective at the date of transactions.

Exchange differences arising from monetary items are recognized in net profit or loss for the period when arisen.

(e) Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

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

Amortized cost and effective interest method

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

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

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

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

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

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

Impairment of financial assets

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

The Company and Subsidiaries recognize lifetime expected credit losses for trade accounts receivable and other accounts receivable in the short term, for which they used the simplified approach. 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 long-term 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:

(i) It has been acquired principally for the purpose of repurchasing it in the near term; or

(ii) 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

(iii) 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:

(i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) 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

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

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

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

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

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

Other financial liabilities, including loans, trade accounts payable and others, are measured subsequently at amortized cost using the effective interest method.

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

<u>Derecognition of financial liabilities</u>

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 enter into a variety of derivative financial instruments to manage its exposure to rate risks 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. The profit or loss in changes of fair value of these assets is recognized in profit or loss for the year they are incurred 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 whereas 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 a legally enforceable right and 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 due 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, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

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

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g., 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 contracts and the host contracts are not measured at fair value through profit or loss.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company and Subsidiaries generally designate the whole hybrid contract at fair value through profit or loss.

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

Hedge accounting

The Company and Subsidiaries designate certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, and cash flow hedges. As of December 31, 2023, the Company and Subsidiaries held hedge operations of commodities in order to ensure future flows of sale of concentrates.

At the inception of the hedge relationship, the Company and Subsidiaries document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, 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 fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

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

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company and Subsidiaries adjust the hedge ratio of the hedging relationship (i.e., rebalance the hedge) so that it meets the qualifying criteria again.

The Company and Subsidiaries designate the full change in the fair value of a forward contract (i.e., including the 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 option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging 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 in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Company and Subsidiaries expect that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 5 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 20.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss 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 not already measured at fair value is adjusted for the fair value change 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 carrying amount is not adjusted as it is already at fair value, but the hedging 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 hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Company and Subsidiaries discontinue hedge accounting only when the hedging relationship (or a part thereof) cease to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated, or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The effects for fair value change on fair value hedges are presented in the consolidated statement of other comprehensive income.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The profit or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when 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 a non-financial liability, the profit 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. Furthermore, if the Company and Subsidiaries expect that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company and Subsidiaries discontinue hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated, or exercised. The discontinuation is accounted for prospectively. Any profit or loss recognized in other comprehensive income and accumulated in 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 profit or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

The effects for fair value change on cash flow hedges are presented in the consolidated statement of other comprehensive income.

(f) Cash and cash equivalents

Cash comprises cash on hand and freely available deposits. Cash equivalents comprise short-term 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.

(g) Inventories and obsolescence estimate

Concentrates and raw material are valued at the lower of acquisition or production cost or net realizable value. The cost of concentrates includes the cost of direct materials, and in this case, direct labor costs and manufacturing overheads, include the cost of transferring inventories to their current location and conditions. The cost of concentrates and supplies is determined by applying the weighted average cost method, 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 (concentrate) and obsolescence or slow turnover (supplies), an estimate for inventory obsolescence is established and charged to profit or loss of the period when those reductions occur.

(h) Property, plant, and equipment (net)

Property, plant, and equipment are presented at acquisition cost, less accumulated depreciation, and the accumulated amount of impairment losses.

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, plant, 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The profit or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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 is determined according to the production of the year over economically recoverable reserves and resources.

Straight-line method

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

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

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

Mining rights and concessions

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

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

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

Evaluation and exploration costs

Exploration costs are capitalized only provided that they are estimated to be economically recoverable through a successful operation in the future or when the activities are in process in the area of interest, and it has not reached a stage that allows evaluating reasonably the existence of economically recoverable reserves. Costs are capitalized as evaluation and exploration assets until the Company and Subsidiaries have completed a preliminary feasibility study, some resources have become reserves and Management determines the probability that the property turns into a mine. At that time, it is considered that the development stage of the property starts, and subsequent evaluation and exploration costs are reclassified.

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 from the beginning of production following the units-of-production method based on proven and probable reserves and a portion of inferred resources they are related to.

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

Development costs

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

Development costs are amortized as described above for evaluation and exploration costs.

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.

(j) Review of impairment of long-term assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognized as expense.

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.

(k) Investment 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 for changes after the acquisition for the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or joint venture exceeds the Company's interest in that associate or joint venture, 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.

(l) Leases

The Company and Subsidiaries as lessees:

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

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

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

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

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

(m) Provisions

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

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

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

(n) Provision for closure of mining units

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

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

After initial measurement, the obligation is adjusted to reflect the passing of time and changes in estimated future cash flows underlying the obligation. The provision increase due to the passing of time is recognized as financial expense, while increases and decreases for changes in estimated future cash flows are capitalized and depreciated during the life of the related asset. Actual incurred costs in the settlement of the liability for site restoration are recorded in the provision as long as the provision has been determined by those costs. A profit or loss can be recorded after the settlement of the liability while the asset is depreciated based on proven and probable reserves by applying the units-of-production method. Related depreciation is recognized as expense.

(o) Financing costs

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

Provided the variable rate of loans used to finance a qualifying asset and that are covered by an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and is reclassified to profit or loss when the qualifying asset affects profit or loss. Provided the fixed rate of loans is used to finance qualifying assets and are covered by an effective hedge of interest rate risk, capitalized costs of loans reflect the interest rate hedge.

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

(p) Revenue recognition

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

Revenue is recognized as follows:

(i) Revenue is associated with the sale of concentrates, dore bars and others when the control of the sold asset is transferred to the customer. Transfer control indicators include an unconditional obligation payable, 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 and Subsidiaries are 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 a temporary payment based on provisional assays and prices of quoted metals. 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 silver, for which there is a free and active market, such as the London Stock Exchange.

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. 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 and Subsidiaries 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 the sale of energy and electrical power is recognized every month based on cyclical readings and is fully recognized in the period in which such service is provided, establishing only one performance obligation.

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

(iv) Other revenue is recognized in profit or loss when earned.

(q) Recognition of costs and expenses

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

(r) Employee benefits

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

(s) Operating profit

Operating profit is understood as total net sales less total cost of sales, administrative expenses, selling expenses, other income and expenses and impairment loss of long-term assets, excluding financial income and expenses, and income tax expense.

(t) Income tax

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

Current income tax

Current income tax calculated corresponds to the tax payable by applying a rate of 29.5% on estimated taxable income, after deducting the profit sharing of employees (8% on estimated taxable income) and is recorded in profit or loss for the year when obtained.

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 liability 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 and Subsidiaries intend to settle their current tax assets and liabilities on a net basis.

<u>Current and deferred income tax for the year</u>

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

(u) Contingent assets and liabilities

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

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

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

(v) Basic and diluted loss per share

Basic loss 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 loss per share is the same.

(w) Segments

The Company and Subsidiaries report financial and descriptive information about their reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments.

(x) Reclassifications

Certain amounts of the consolidated financial statements for the year ended December 31, 2022 have been reclassified to make them comparable to those of the consolidated financial statements as of December 31, 2023. The nature of reclassifications, reclassified amounts and affected accounts are summarized below:

	2022
	US$000
Consolidated statement of financial position	
(i) From other accounts payable to trade accounts payable	8,620

(i) For a correct presentation of trade accounts payable corresponding to deductions to pay to suppliers.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company and Subsidiaries' Management is responsible for the information contained in these consolidated financial statements. To prepare them, certain estimates have been used to quantify some assets, liabilities, revenue, expenses, and commitments recorded therein, based on experience and other relevant factors. Final results may differ from those estimates.

These estimates are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognized by recording the effects of changes in the corresponding profit or loss accounts for the period when corresponding reviews are conducted.

The most important estimates considered for the preparation of the consolidated financial statements of the Company and Subsidiaries refer to:

- Determination of functional currency and record of foreign currency transactions.
- Fair value of financial instruments.
- Valuation of inventories
- Useful life assigned to mining rights, exploration and development costs, property, plant and equipment, and intangible assets.
- Determination of mineral reserves and resources.
- Impairment loss of long-term assets.
- Liability for the disposal of assets and mine closure.
- Provisions and estimate for contingencies.
- Revenue recognition.
- Current and deferred income tax and mining taxes.
- Uncertain tax positions.
- Going concern.

Key sources of uncertainty in estimates

We present the following basic assumptions regarding the future and other key sources of uncertainty in estimates, at the end of the reporting period, which may imply a significant risk of material adjustments in the carrying amounts of assets and liabilities during the next financial periods.

Determination of reserves and mineral resources

The Company and Subsidiaries calculate their mineral reserves and resources based on the guidelines provided by the Australian Standard – JORC Code (Joint Ore Reserves Committee), which establish technical and economic standards and recommendations. The Company and Subsidiaries have internationally certified employees who, together with specialists from the Parent, are in charge of the preparation and review of reserves annually.

Proven and probable reserves and a percentage of inferred resources are used in the calculation of the depreciation and amortization of non-financial assets, which are depreciated by applying the units-of-production method (Notes 2(h) and 2(i)), as well as for the determination of the closure period of mining units and the impairment analysis of non-financial assets.

Provision for the disposal of assets and mine closure

The Company and Subsidiaries determine an estimate for the obligations of disposal of assets and closure of their mining units using the discounted cash flow model. In order to develop this model, Management makes certain estimates about the scope and costs for disposal and closure activities, changes in technology and regulations, and other macroeconomic variables considered in the estimate, such as inflation rates and others considered to determine the discount rate. In addition, Management takes into account the best-estimated terms when these disbursements will be made.

The Company and Subsidiaries regularly review future estimated disbursements, disbursement terms and considered discount rates, as indicated in Note 33, and correct the values of the asset and liability prospectively, if necessary.

Review of carrying amounts and impairment evaluation

The Company and Subsidiaries annually review whether a permanent asset requires an impairment estimate according to the accounting policy indicated in Note 2(j). This determination requires the use of professional judgment by the Company and Subsidiaries' Management in order to analyze impairment indicators as well as in the determination of value in use. In this last case, the application of judgment is required for the preparation of future cash flows, including projected future level of operations of the Company and Subsidiaries, forecast of economic factors that affect its income and costs, and the determination of the discount rate to be applied to such flow.

Useful life of property, plant, and equipment

As described in Note 2(h), the Company and Subsidiaries review the estimated useful life of property, plant, and equipment annually. Internal specialists of the operations and maintenance areas are involved in these evaluations in order to determine if the useful life is appropriate for the expected use of its assets. The determination of useful lives requires estimates regarding the expected commercial and technological evolution and different uses of assets. The hypothesis related to the technological environment and its future development imply a significant judgment degree, since the timing and nature of those future technological changes are difficult to predict.

Contingencies

The Company and Subsidiaries are subject to transactions or contingent events over which professional judgment is used for estimating the probability of occurrence of future events. The legal situation at the estimate date and the opinion of legal advisors are considered for that purpose (Note 32).

Taxes

The determination of tax obligations and expenses requires interpretations of applicable tax regulations. The Company and Subsidiaries seek professional tax advice before making any decision on tax matters. Even though Management considers that its estimates are prudent and appropriate, interpretation differences may arise with the tax administration that may affect tax charges in the future.

Recovery of deferred tax assets: An evaluation is required to determine whether deferred tax assets should be recognized in the consolidated statement of financial position. Deferred tax assets require Management to evaluate the probability that the Company and Subsidiaries generate taxable profit in future periods to use deferred tax assets. The estimates of future taxable income are based on forecasts of operating cash flows and the application of tax laws of each jurisdiction. Provided future cash flows and taxable income are significantly different from the estimates, it could affect the capacity of the Company and Subsidiaries to realize net deferred tax assets recorded at the reporting date.

Uncertain tax positions

The Company and Subsidiaries apply a significant judgment when identifying uncertainties over income tax treatments. In this regard, the Company and Subsidiaries have reviewed the following situations:

- Contentious proceedings
- Implemented tax plans
- Performed corporate reorganizations
- Other situations identified by Management

In the evaluation, Management has considered the following sources to identify potential uncertain tax situations:

- Criteria applied by the tax administration in its reviews
- Opinions of the tax administration in reports or official letters
- Case law of courts in all instances
- SUNAT’s guidelines (National Superintendence of Customs and Tax Administration)
- Usual practice in the market

The evaluation has been conducted for all unexpired tax periods, considering for this the provisions of the tax code.

As a result of the examination of each one of the situations mentioned above, Management has identified uncertain tax situations that may affect the determination of income tax under IFRIC 23, mainly those related to the amortization of development costs, which do not have a significant implication on the consolidated financial statements due to their temporary nature.

Management must reevaluate its estimates when there is a change in a circumstance, such as the knowledge of actions followed by the tax administration, formally adopted situations, the case law of courts or the expiry of the statute of limitations.

Going concern

Management prepares its consolidated financial statements under the going concern principle based on the judgment that there are no events or conditions that can contribute material uncertainties about the Company and Subsidiaries' capacity to continue as a going concern. As a result, Management has projections of cash flows provided by its operating flows mainly, which allow addressing its obligations for at least the next twelve months.

Management has credit capacity that allows them having access to credit lines in top-ranked financial entities to address their obligations. Management had a revolving credit line of up to US$55,000 with Santander Bank. This credit line expired in November 2023 and was not renewed.

These cash flows depend on significant judgments and assumptions, such as the selling price of the mineral, production costs, among others.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS INTERNATIONALLY ISSUED

(a) New IFRSs, interpretations and amendments to current standards that did not significantly affect reported amounts and their disclosures in current and previous years

The following standards, interpretations and amendments to current standards were published with mandatory application for accounting periods beginning on or after January 1, 2023, which did not affect the records and disclosures of the Company and Subsidiaries:

- *IFRS 17 Insurance Contracts.* Effective for annual periods beginning on or after January 1, 2023.

  IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts.*

  IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

  IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies*

  The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- *Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the commencement date of a lease.

  Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

  The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

- *Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules*

  The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

  The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

(b) New IFRSs, interpretations and amendments issued applicable after the presentation date of the consolidated financial statements

At the approval date of these consolidated financial statements, the Company and Subsidiaries have not applied the following new standards, interpretations and amendments that have been issued, but are not effective yet:

- *Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

  The effective date of the amendments has yet to be set by the IASB; however, earlier application is permitted.

  Management considers that these amendments are not applicable to the Company and Subsidiaries since they do not perform this type of operations.

- *Amendments to IAS 1 Classification of Liabilities as Current or Non-current*

  The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

Management considers that these amendments would not have an impact on the Company and Subsidiaries.

- *Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current).

Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted.

Management is evaluating the potential impact that these amendments may have on the Company and Subsidiaries.

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements*

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount, and associated line items presented in the entity’s statement of financial position, of the liabilities that are part of the arrangements.
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.
- Liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

Management is evaluating the potential impact that these amendments may have on the Company and Subsidiaries.

- *Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback*

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

Management is evaluating the potential impact that these amendments may have on the Company and Subsidiaries.

- *Amendment to IAS 21—Lack of Exchangeability*

The amendments to IAS 21 specify when a currency is exchangeable into another currency and when it is not: (i) a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; (ii) a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

The amendments specify how an entity determines the exchange rate to apply when a currency is not exchangeable: when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

The amendments require the disclosure of additional information when a currency is not exchangeable: when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

Management is evaluating the potential impact that these amendments may have on the Company and Subsidiaries.

5. FINANCIAL INSTRUMENTS AND RISKS

(a) Categories of financial instruments

The financial asset and liabilities of the Company and Subsidiaries comprise following:

	2023 US$000	2022 US$000
Financial assets:		
Cash and cash equivalents	61,642	73,600
Amortized cost		
Other accounts receivable (net)	5,591	12,005
Fair value through profit or loss		
Trade accounts receivable (net)	20,316	28,586
Derivatives not designated as hedging instruments	440	-
Derivatives designated as hedging instruments	42	-
	20,798	28,586
Fair value through other comprehensive income		
Financial investments	37,158	38,422
Derivatives designated as hedging instruments	173	-
	37,331	38,422
Total	125,362	152,613
Financial liabilities:		
Amortized cost		
Bank overdrafts	1,046	198
Financial obligations	803,869	811,468
Trade accounts payable	242,213	251,239
Other accounts payable	17,098	12,854
Total	1,064,226	1,075,759

(b) Financial risks

During the normal course of operations, the Company and Subsidiaries are exposed to several financial risks. The risk management program of the Company and Subsidiaries is mainly focused on financial markets and seeks to minimize potential adverse effects on the financial performance of the Company and Subsidiaries. The Financial Management Department of the Company and Subsidiaries is in charge of risk management, which identifies, evaluates, and covers financial risks.

(i) Market risk

Exchange rate risk

The Company and Subsidiaries perform their sales in U.S. dollars, which allow them to meet their obligations in such currency. The exchange rate risk mainly arises from balances held in soles.

As of December 31, 2023 and 2022, the balances of financial assets and liabilities denominated in foreign currency correspond to balances in Peruvian soles and are expressed in U.S. dollars at the closing exchange rates of US$0.270 and US$0.262 per S/1.00, respectively, and are summarized below:

	2023	2022
	S/000	S/000
Assets		
Cash and cash equivalents	114,622	82,586
Trade accounts receivable (net)	3,088	6,844
Other accounts receivable (net)	136,271	131,782
Total assets	253,981	221,212
Liabilities		
Bank overdrafts	(422)	(276)
Financial obligations	-	(10,555)
Trade accounts payable	(141,198)	(148,741)
Other accounts payable	(42,673)	(33,360)
Total liabilities	(184,293)	(192,932)
Net asset	69,688	28,280

In 2023, the Company and Subsidiaries recorded a net exchange profit for US$201,059 and net exchange loss for US$200,108 (net exchange profit for US$70,991 and net exchange loss for US$70,993 in 2022) (Note 27).

Management considers a sensitivity rate of 5% as reasonable in the assessment of exchange rate risk. A sensitivity analysis assuming the devaluation and revaluation of the Peruvian sol (S/), equivalent to the rate mentioned above, exclusively on balances of assets and liabilities reflected above, considering other constant variables in the consolidated statement of profit or loss before income tax, is presented in the following table:

	Changes in exchange rate	Effect on profit or loss before taxes (Debit) credit	
		2023	2022
		US$000	US$000
Revaluation	+5%	(939)	(371)
Devaluation	-5%	939	371

Price risk

The Company and Subsidiaries are exposed to commercial risks arising from changes in mineral market prices. In order to cover the risk arising from the decrease of prices of metals, Management will hire derivative financial instruments.

For the control and follow-up of hedges, Management approved the "Metal Price Hedging Policy", which is executed and monitored together with the Financial Risk Management Policy. Management has also a Hedging Committee whose objective is to mitigate the risks associated with variations and volatility of the prices of metals they produce.

As of December 31, 2023 and 2022, if the average sales prices of main metals payable, contained in ore concentrates, increase (or decrease) by 10% and all other variables are held constant, profit or loss after taxes of the Company and Subsidiaries would change, as shown below:

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Zinc concentrate	
2023:	
Increase in the international price of zinc	43,842
Decrease in the international price of zinc	(43,842)
2022:	
Increase in the international price of zinc	56,438
Decrease in the international price of zinc	(56,438)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Lead concentrate	
2023:	
Increase in the international price of lead	22,864
Decrease in the international price of lead	(22,864)
2022:	
Increase in the international price of lead	17,878
Decrease in the international price of lead	(17,878)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Copper concentrate	
2023:	
Increase in the international price of copper	6,064
Decrease in the international price of copper	(6,064)
2022:	
Increase in the international price of copper	5,308
Decrease in the international price of copper	(5,308)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Silver concentrate	
2023:	
Increase in the international price of silver	6,857
Decrease in the international price of silver	(6,857)
2022:	
Increase in the international price of silver	5,770
Decrease in the international price of silver	(5,770)

As of December 31, 2023 and 2022, the fair value of embedded derivatives contained in commercial agreements amounts to a profit of US$1,071 and a loss of US$2,880, respectively.

Interest rate risk

The Company and Subsidiaries have significant assets, which are held in renowned financial entities and accrue interests at current rates in the market. Operating income and cash flows of the Company and Subsidiaries are independent of changes in interest rates in the market.

The interest rate risk is addressed by Management of the Company and Subsidiaries through a policy that establishes obtaining loans at fixed and variable interest rates.

Management considers that the risk of fluctuations in the fair value of interest rates is not significant since the interest rates of its financing agreements are not significantly different from the market interest rates for similar financial instruments.

(ii) Credit risk

The credit risk of the Company and Subsidiaries arises from the inability of debtors to meet their obligations. For this reason, Management establishes conservative credit policies and constantly evaluates the conditions of the market where their debtors operate, for which Management uses risk rating reports for commercial and credit operations.

The financial assets (excluding cash and cash equivalents and financial investments) of the Company and Subsidiaries are within their maturity dates.

Trade accounts receivable are denominated in U.S. dollars and expire on the issue date of the payment receipt. Such amounts are effective in the following days of maturity. The sales of the Company and Subsidiaries are performed to local and foreign customers, with whom they have commercial agreements. As of December 31, 2023, the Company has a portfolio of 24 customers (25 customers as of December 31, 2022). The three most important customers of the Company and Subsidiaries represented 46% of total sales (67% of total sales in 2022).

The Company's Management considers the credit history of its customers and their payment capacity and evaluates the debts that are estimated to be collected as variation to determine the required provision for doubtful accounts. Management concludes that a provision for doubtful accounts is not required.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the possibility to be engaged and/or have engaged certain financing operations through adequate credit sources.

As of December 31, 2023 and 2022, the Company and Subsidiaries present a negative working capital for US$232,145 and US$136,335, respectively.

The increase of negative working capital is mainly due to the maturity of the first three amortizations of capital of the syndicated loan in April, July, and October of the current year, for which they were reclassified to short-time liabilities for a total of US$102,857. The other amortizations will continue throughout 2025, and the last payment will be made on January 25, 2026 pursuant to the agreement.

In this regard, Management has a credit capacity that allows having access to credit lines in first-class financial entities to meet their obligations. In addition, Management generates cash flows from significant operating activities (US$248,392 in 2023 and US$335,874 in 2022).

Management considers that these measures will allow the Company and Subsidiaries using sufficient cash flows to manage their financial obligations appropriately.

The table below presents an analysis of the financial liabilities of the Company and Subsidiaries classified according to their maturity (including interests to be paid at those maturities) at the date of the consolidated statement of financial position:

Financial assets	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 10 years US$000	Total US$000
As of December 31, 2023:				
Cash and cash equivalents	61,642	-	-	61,642
Other accounts receivable (net)	5,591	-	-	5,591
Trade accounts receivable (net)	20,316	-	-	20,316
Derivatives not designated as hedging instruments	440	-	-	440
Derivatives designated as hedging instruments	215	-	-	215
Financial investments	-	-	37,158	37,158
Total	88,204	-	37,158	125,362
As of December 31, 2022:				
Cash and cash equivalents	73,600	-	-	73,600
Other accounts receivable (net)	12,005	-	-	12,005
Trade accounts receivable (net)	28,586	-	-	28,586
Financial investments	-	-	38,422	38,422
	114,191	-	38,422	152,613

Financial liabilities	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 10 years US$000	Total US$000
As of December 31, 2023:				
Bank overdrafts	1,046	-	-	1,046
Financial obligations	160,941	202,799	562,280	926,020
Trade accounts payable	242,213	-	-	242,213
Other accounts payable	17,098	-	-	17,098
Total	421,298	202,799	562,280	1,186,377
As of December 31, 2022:				
Bank overdrafts	198	-	-	198
Financial obligations	84,010	62,580	815,436	962,026
Trade accounts payable	259,859	-	-	259,859
Other accounts payable	12,854	-	-	12,854
Total	356,921	62,580	815,436	1,234,937

(iv) Capital management risk

The objective is to safeguard the ability of the Company and Subsidiaries to continue as going concern in order to generate returns to shareholders and benefits to other interest groups and maintain an optimal capital structure to reduce capital cost.

Management handles its capital structure and makes adjustments to deal with changes in the economic conditions of the market. In order to maintain or adjust the capital structure, the Company can adjust the payment of dividends to its shareholders, return capital to its shareholders or issue new shares. No changes were made to the objectives, policies, or procedures in 2023 and 2022.

The leverage ratio was as follows:

	2023	2022
	US$000	US$000
Financial obligations	803,869	811,468
Cash and cash equivalents	(61,642)	(73,600)
Total net debt	742,227	737,868
Total equity	364,598	375,353
Net debt ratio	2.04	1.97

(c) Fair value of financial instruments

For purposes of the consolidated financial statements, 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.

Fair value of financial assets and liabilities of the Company that are not measured at fair value, but fair value disclosures are required

Management considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements are similar to their fair value, including the long-term loan that accrues equivalent interests at current market rates. The fair value of bonds issued in the international market (Note 16 (b)) is classified as Level 1 since quoted prices are available. The fair value of these bonds amount to US$223,690 as of December 31, 2023 (US$316,860 as of December 31, 2022).

Fair value of financial assets and liabilities of the Company and Subsidiaries that are measured at fair value on a constant basis

As of December 31, 2023 and 2022, the financial instruments measured at fair value after initial recognition refer to trade accounts receivable, financial investments and derivative financial instruments.

The following table shows the financial instruments measured at fair value on a constant basis, classified per level:

	2023	2022
	US$000	US$000
Financial assets		
Level 1		
Investments in equity instruments (a)	37,153	38,422
Level 2		
Trade accounts receivable (b)	20,316	28,586
Derivatives not designated as hedging instruments	440	-
Derivatives designated as hedging instruments	215	-
	20,971	28,586

(a) Financial investments (Note 8) correspond to the investment in Cementos Polpaico S.A., which is listed on the Chile Stock Exchange; for this reason, it has been classified as Level 1.

(b) Trade accounts receivable, designated at fair value through profit or loss, comprise the changes in the value of provisional liquidations, which are adjusted at market value based on future estimates of metal prices at the date of the consolidated financial statements. The measurement of fair value is classified as Level 2 since these measurements derive from international quotation prices in force included in Level 1.

(c) No transfers have been made between levels during the year.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2023	2022
	US$000	US$000
Petty cash and cash in banks (a) (b)	60,072	72,318
Other funds	1,570	1,282
	61,642	73,600

(a) Petty cash and cash in banks mainly comprise checking accounts denominated in soles and U.S. dollars, which are held in local banks, are freely available and accrue interests at market rates. Checking accounts include trust accounts that were constituted to meet the commitments derived from financial obligations (Notes 1(e.3) and 16), which are also freely available.

(b) The Company and Subsidiaries present amounts for US$19,775 and US$16,037 as of December 31, 2023 and 2022 as part of petty cash and cash in banks, which correspond to cash deposited in Banco de la Nación for the payment of taxes. In addition, amounts withheld by the Tax Administration are presented in this item for US$1,529 as of December 31, 2023 (US$1,322 as of December 31, 2022).

7. INVESTMENT IN ASSOCIATE

The investment in associate comprises the following:

Company	Class	Number of shares	Interest in equity As of December 2023		Face value		Carrying amount As of December 31, 2023	
			2023	2022	Face value		2023	2022
			%	%			US$000	US$000
Cosco Shipping Ports Chancay Perú S.A.	Common	410,653,252	40	40	1	Sol	148,118	147,801

Cosco Shipping Ports Chancay Perú S.A. is engaged in port activities and its objective is the development, construction, implementation, commissioning, and operation of a multi-purpose port at the Chancay bay, located in the northern area of Lima. It is estimated to commence operations in 2024.

At the Board of Directors' Meeting of Volcan Compañía Minera S.A.A. held on March 24, 2023, as shareholder of 40% of Cosco Shipping Ports Chancay Peru S.A., the financing granted by financial entities for US$975,000 was approved for the development of the Multi-purpose Port Terminal Chancay.

In 2022, the number of shares increased by 98,433,844 through the capitalization of capital premium in the associate in favor of the Company.

As of December 31, 2023 and 2022, this investment in associate has been measured using the equity method (Note 2(k)).

8. FINANCIAL INVESTMENTS

Financial investments comprise the following:

Company	Class	Number of shares	Interest in equity As of December		Face value		Carrying amount As of December 31,	
			2023	2022			2023	2022
			%	%			US$000	US$000
Financial investments at fair value:								
Cemento Polpaico S.A.	Common	4,056,643	15.9	15.9	8,040	Chilean pesos	37,153	38,422
Other investments:								
Other companies	Common	-	-	-	-		5	282
							37,158	38,704

Cementos Polpaico S.A. is engaged in the production and commercialization of cement and lime. As of December 31, 2023, the quotation amounted to 8,040 Chilean pesos per share, equivalent to US$9.159 (8,040 Chilean pesos per share, equivalent to US$9.471 as of December 31, 2022). Those shares are listed on the Chile Stock Exchange.

9. TRADE ACCOUNTS RECEIVABLE (NET)

Trade accounts receivable (net) comprise the following:

	2023	2022
	US$000	US$000
From third parties		
Invoices	32,360	35,583
Impairment estimate for accounts receivable	(23,831)	(19,539)
Embedded derivatives	1,065	3,147
	9,594	19,191
From related entities		
Invoices	10,716	9,662
Embedded derivatives	6	(267)
	10,722	9,395
Total	20,316	28,586

Accounts receivable have current maturity, do not accrue interests, and do not have specific guarantees. These accounts are expected to be collected in the first quarter of the following year.

The main customers of the Company and Subsidiaries are renowned in the international market, have good credit history and do not have financial issues at year-end.

In 2023, the Company and Subsidiaries performed sales to the following related entities: Glencore Perú S.A.C. and Glencore Lima Trading S.A.C. for US$167,770 and US$70,521, respectively (Glencore Perú S.A.C. and Glencore Lima Trading S.A.C. for US$302,106 and US$79,349 in 2022, respectively).

On December 22, 2023, Glencore Lima Trading S.A.C. and Volcan Compañía Minera S.A.A. entered into a loan for consumption agreement No. 062-24-01 for US$25,000, under which the Company will sell zinc concentrates in favor of Glencore Lima Trading under the terms and conditions established in the agreement. The collection shall made in three parts for US$10,000, US$10,000 and US$5,000 on January 15, February 15, and March 15, 2024, respectively.

The impairment estimate for accounts receivable according to the assessment of expected credit losses is mainly related to a customer that is undergoing a liquidation process and comes from 2008. Management of the Company and Subsidiaries believe that the estimate for doubtful accounts is sufficient to cover the non-compliance risk at the date of the consolidated statement of financial position.

10. OTHER ACCOUNTS RECEIVABLE (NET)

Other accounts receivable (net) comprise the following:

	2023 US$000	2022 US$000
Tax credit for value-added tax (a)	58,173	59,254
Recoverable taxes	35,284	32,790
Credit balance for income tax and temporary tax on net assets (b)	16,544	10,727
Public works for taxes, in process (d)	4,282	2,455
Prepaid expenses	3,818	5,031
Advances granted to contractors and suppliers	1,689	3,624
Loans granted to employees	431	271
Other minor items	2,904	300
	123,125	114,452
Impairment estimate for other accounts receivable (e)	(15,708)	(26,806)
Subtotal	107,417	87,646
Amortized cost:		
Accounts receivable from contractors and others	13,262	14,493
Loans granted to third parties (c)	10,511	10,596
Insurance compensation	-	3,866
Other minor items	1,244	2,139
	25,017	31,094
Impairment estimate for other accounts receivable (e)	(19,426)	(19,089)
Subtotal	5,591	12,005
Total	113,008	99,651
Non-current portion	35,970	34,262
Current portion	77,038	65,389

(a) As of December 31, 2023, this item includes an amount of US$15,708 (US$26,806 as of December 31, 2022), which corresponds to tax credit that is not expected to be recovered; therefore, an impairment estimate has been established for such amount.

(b) As of December 31, 2023, this item corresponds to the balance for payments on account of income tax for US11,879 and payments for the temporary tax on net assets for US$4,665, which will be requested as from 2024 (as of December 31, 2022, this item corresponded to the balance for payments on account of income tax for US$6,970 and payments for the temporary tax on net assets for US$3,757, which were requested as from 2023 and are being recovered).

(c) Loans granted to third parties accrue interests at market rates and are considered to have a current maturity. The Company and Subsidiaries have considered provisioning the amount of US$10,076 as doubtful account according to the assessment of uncollectibility risk.

(d) This item corresponds to payments made for public works, for which the "Regional and Local Public Investment – Public Treasury" partial certificates (CIPRL in Spanish) have been obtained. These certificates would allow the payment of the amount invested by the Company for the execution of investment projects. In 2023, the Company started the execution of the projects "Improvement and extension of sports services of the Municipal Sports Center at Av. 1° de Mayo, district of Chancay – province of Huaral – department of Lima", with code CUI No. 2466179, and "Improvement of integral management of municipal solid waste in the district of Huayllay – province of Pasco – department of Pasco", with code CUI No. 2511013, for which, pursuant to Law 29230 of Works for Taxes, US$1,377 has been recovered through the "CIPRL". The recovery of the invested balance amounting to US$1,227 will be arranged in 2024.

(e) As of December 31, 2023, this item mainly corresponds to the impairment provision for tax credit for value-added tax for US$15,708 and loans receivable for US$10,076. As of December 31, 2022, this item mainly corresponded to the impairment provision for tax credit for value-added tax for US$26,806, loans receivable for US$10,060, and the remaining balance mainly corresponds to contractors receivable.

Management of the Company and Subsidiaries believes that the impairment estimate for other accounts receivable is sufficient to cover the non-compliance risk at the date of the consolidated statement of financial position.

11. OTHER FINANCIAL ASSETS

Other financial assets comprise the following:

	2023 US$000	2022 US$000
Derivative financial instruments:		
Derivatives not designated as hedging instruments (a)	440	-
Derivatives designated as hedging instruments (b)	215	-
	655	-

(a) As of December 31, 2023, this item corresponds to pending invoices for the settlement of derivative financial instruments.

(b) The contracts for derivative financial instruments were negotiated with several international financial entities, including JP Morgan, Morgan Stanley and Citibank NY (Note 30).

12. INVENTORIES (NET)

Inventories (net) comprise the following:

	2023 US$000	2022 US$000
Concentrates (a)	8,052	11,036
Mineral (a)	11,956	13,547
Pyrite stockpiles	5,619	6,218
Sundry supplies	37,805	49,271
Inventories in transit	271	1,018
	63,703	81,090
Impairment estimate (b)	(9,779)	(17,779)
Total	53,924	63,311
Non-current portion	5,619	6,218
Current portion	48,305	57,093

(a) According to the sales commitments, the concentrate held as of December 31, 2023 will be sold, and the mineral will be exploited in 2024.

(b) The impairment estimate comprises the following:

	2023 US$000	2022 US$000
Opening balance	17,779	17,033
Destruction of supplies (c)	(8,305)	(185)
Additions (Note 25)	1,099	1,120
Recovery (Note 25)	(794)	(189)
Saldo Final	9,779	17,779

(c) In 2023, the impairment estimate decreased by US$8,305 mainly as a result of the destruction of supplies.

Management believes that the impairment estimate covers the risk of loss at the date of the consolidated statement of financial position.

13. PROPERTY, PLANT AND EQUIPMENT (NET)

The movement in the cost and accumulated depreciation of property, plant and equipment, net, was as follows:

	Balance as of January 1, 2023	Additions	Sales and/or disposals	Transfers	Impairment estimate	Impairment recovery	Balance as of December 31, 2023
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Cost of:							
Land	23,919	262	-	(608)	-	-	23,573
Buildings and other constructions	1,078,997	3,597	(2,149)	111,934	(25,058)	33,634	1,200,955
Environmental management program infrastructure	259	-	-	421	-	-	680
Machinery and equipment	193,491	1,832	(6,421)	(916)	-	-	187,986
Vehicles	3,500	(49)	(166)	35	-	-	3,320
Furniture and fixtures and computer equipment	10,485	56	(57)	(1,547)	-	-	8,937
Sundry equipment	399,352	11,581	(218)	19,918	-	-	430,633
Units in transit	1,620	1,874	-	(250)	-	-	3,244
Works in progress (a)	104,404	49,619	(1,183)	(66,211)	-	-	86,629
	1,816,027	68,772	(10,194)	62,776	(25,058)	33,634	1,945,957
Accumulated depreciation of:							
Buildings and other constructions	564,168	70,582	(532)	51,875	-	-	686,093
Environmental management program infrastructure	259	-	-	421	-	-	680
Machinery and equipment	140,060	13,730	(5,717)	(916)	-	-	147,157
Vehicles	2,801	188	(164)	(14)	-	-	2,811
Furniture and fixtures and computer equipment	7,807	532	(19)	(1,212)	-	-	7,108
Sundry equipment	288,020	24,190	(52)	18,172	-	-	330,330
	1,003,115	109,222	(6,484)	68,326	-	-	1,174,179
Net value	812,912						771,778

	Balance as of January 1, 2022	Additions	Sales and/or disposals	Transfers	Impairment estimate	Balance as of December 31, 2022
	US$000	US$000	US$000	US$000	US$000	US$000
Cost of:						
Land	23,537	382	-	-	-	23,919
Buildings and other constructions	976,667	7,500	-	36,375	58,455	1,078,997
Environmental management program infrastructure	22,281	-	(22,022)	-	-	259
Machinery and equipment	300,338	16,323	(123,646)	619	(143)	193,491
Vehicles	11,561	310	(8,371)	-	-	3,500
Furniture and fixtures and computer equipment	16,030	592	(6,137)	-	-	10,485
Sundry equipment	497,908	28,071	(126,454)	1,574	(1,747)	399,352
Units in transit	1,602	1,288	-	(1,189)	(81)	1,620
Works in progress (a)	79,696	75,028	(150)	(37,607)	(12,563)	104,404
	1,929,620	129,494	(286,780)	(228)	43,921	1,816,027
Accumulated depreciation of:						
Buildings and other constructions	491,692	72,476	-	-	-	564,168
Environmental management program infrastructure	22,281	-	(22,022)	-	-	259
Machinery and equipment	248,315	13,414	(121,669)	-	-	140,060
Vehicles	10,920	211	(8,330)	-	-	2,801
Furniture and fixtures and computer equipment	12,913	1,031	(6,137)	-	-	7,807
Sundry equipment	386,980	24,321	(123,281)	-	-	288,020
	1,173,101	111,453	(281,439)	-	-	1,003,115
Net value	756,519					812,912

(a) As of December 31, 2023, the projects that are part of item works in progress mainly belong to Volcan Compañía Minera S.A.A. for US$46,142 and Subsidiary Compañía Minera Chungar S.A.C. for US$31,848 (US$65,988 and US$30,638 as of December 31, 2022, respectively), as detailed below:

Volcan Compañía Minera S.A.A.

	2023	2022
	US$000	US$000
Growth of tailings facility Rumichaca Level 4233	9,323	-
Growth of tailings facility Andaychagua Alto Level 4412	2,635	-
Tailings facility - filter Gavilán - Carahuacra	2,441	2,441
Water supply channel - Andaychagua river	1,962	1,543
Growth of tailings facility Rumichaca Level 4250	1,925	-
Construction of housing modules Andaychagua	1,601	1,601
Construction of powder magazine San Cristóbal	1,465	754
Acquisition and assembly of bulk flotation cells	965	965
Industrial waste water treatment plant	965	965
Installation of RCS100 cell - zinc circuit	804	-
Maintenance workshop Level 1320	542	542
Construction of third stage of wall of overflow spillway Andaychagua	522	-
Construction of Electrical Substation Level 820 RP314E	484	484
Growth of tailings facility Rumichaca Level 4230 IV stage	-	10,810
Growth of tailings facility Rumichaca Level 4231	-	3,415
Purchase and installation of cell Rcs-100 Victoria plant	-	2,794
Growth of tailings facility Andaychagua Level 4412	-	2,467
New filtered tailings facility level 4412	-	2,382
Purchase of houses San José	-	1,543
Water supply channel - Andaychagua river	-	1,420
Dosing and mixing plant - Im. SC	-	1,413
Pumping system Level 1300 to 1200	-	1,400
New radio coverage system Tetra - installation	-	1,399
Electrical system San Cristobal 5010 Kv - 1012 Mva	-	1,346
Concrete-filled pipes Andaychagua	-	1,209
Other minor projects	20,508	25,095
	46,142	65,988

Subsidiary Compañía Minera Chungar S.A.C.

	2023	2022
	US$000	US$000
Elevation of dam of tailings facility Et.V-4688	9,693	9,693
Romina project - General infrastructure	4,889	1,820
Construction of Cacray camp	3,876	1,078
Engineering of Rinconada tailings facility	1,253	-
Rinconada tailings facility	1,172	1,172
Transmission line Yanahuin Romina	1,097	1,097
Reinforcement of Electrical Substation Animon	1,083	1,083
Romina project - permits, social & environment	1,053	-
New tailings facility Animon Quimacocha	-	6,168
Other minor projects	7,732	8,527
	31,848	30,638

As of December 31, 2023 and 2022, other Subsidiaries have projects in progress for US$12,209 and US$7,778, respectively.

The projects held as of December 31, 2023 are estimated to be completed between 2024 and 2025.

(b) The annual charge for depreciation has been distributed as follows:

	2023 US$000	2022 US$000
Cost of sales (Note 22)	105,240	107,864
Administrative expenses (Note 23)	1,528	229
Selling expenses (Note 24)	43	96
Other expenses (Note 25)	2,411	3,264
Total	109,222	111,453

(c) As of December 31, 2023, buildings, machinery, and equipment include assets under finance leases with a carrying amount of US$8,138 and US$27,770, respectively (US$14,359 and US$37,669 as of December 31, 2022).

(d) The Company and Subsidiaries hired insurance policies on their main assets according to the policies established by Management.

(e) As of December 31, 2023, the cost of property, plant and equipment is presented net of accumulated impairment of US$335,623, distributed in items of buildings and constructions for US$263,245, machinery and equipment and sundry equipment for US$43,897, and others for US$28,481 (as of December 31, 2022, it is presented net of accumulated impairment of US$345,181, distributed in items of buildings and constructions for US$273,354, machinery and equipment and sundry equipment for US$47,231, and others for US$24,596).

In 2023, as part of the impairment assessment, the Company's Management determined an impairment for US$25,058, which was attributed to the item of buildings and other constructions. On the other hand, Management of Administradora Cerro S.A.C. and Empresa Generadora Rio Baños S.A.C. determined an impairment recovery for US$33,634, which was attributed to the item of buildings and other constructions (Note 26).

(f) As of December 31, 2023 and 2022, the Company and Subsidiaries have assets fully depreciated for US$111,827 and US$105,797, respectively.

14. RIGHT-OF-USE ASSETS (NET)

The movement in the cost and accumulated depreciation of right-of-use assets, net, was as follows:

	Balance as of January 1, 2023	Additions	Disposals	Transfers	Balance as of December 31, 2023
	US$000	US$000	US$000	US$000	US$000
Cost of:					
Operating machinery	10,255	5,878	(2,685)	-	13,448
Vehicles	10,403	6,370	(6,151)	407	11,029
Properties	170	-	-	-	170
	20,827	12,248	(8,836)	407	24,646
Depreciation of:					
Operating machinery	2,685	1,857	(2,685)	-	1,857
Vehicles	6,661	3,525	(5,931)	456	4,711
Properties	96	56	-	-	152
	9,443	5,438	(8,616)	456	6,721
Net value	11,385				17,926

	Balance as of January 1, 2022	Additions	Disposals	Impairment estimate	Balance as of December 31, 2022
	US$000	US$000	US$000	US$000	US$000
Cost of:					
Operating machinery	33,321	7,570	(30,636)	-	10,255
Vehicles	10,688	7,316	(6,801)	(800)	10,403
Properties	244	-	(74)	-	170
	44,253	14,886	(37,511)	(800)	20,828
Depreciation of:					
Operating machinery	32,589	732	(30,636)	-	2,685
Vehicles	7,144	6,318	(6,801)	-	6,661
Properties	135	36	(74)	-	97
	39,868	7,086	(37,511)	-	9,443
Net value	4,385				11,385

The annual charge for depreciation of right-of-use assets has been distributed as follows:

	2023	2022
	US$000	US$000
Cost of sales (Note 22)	4,568	5,952
Administrative expenses (Note 23)	870	1,134
Total	5,438	7,086

15. MINING CONCESSIONS, EXPLORATION AND DEVELOPMENT COSTS AND OTHER ASSETS (NET)

The movement in the cost and accumulated amortization of mining concessions, exploration and development costs, closure of mining units and other assets was as follows:

	Balance as of January 1, 2023	Additions	Disposals and/or transfers	Change in estimate	Impairment estimate	Impairment recovery	Balance as of December 31, 2023
	US$000	US$000	US$000	US$000 (Note 33)	US$000 (Note 26)	US$000 (Note 26)	US$000
Cost of:							
Mining concessions	272,001	-	(11,351)	-	-	-	260,650
Exploration costs	312,547	13,077	18,710	-	(7,936)	2,293	338,691
Development costs (a)	830,575	76,308	28,255	-	(91,806)	52,673	896,005
Closure of mining units	217,595	-	-	(6,986)	-	-	210,609
Community rights	24,645	-	-	-	-	-	24,645
Other intangibles	15,018	-	5,977	-	-	-	20,995
	1,672,381	89,385	41,591	(6,986)	(99,742)	54,966	1,751,595
Amortization of:							
Mining concessions	211,841	5,243	(11,354)	-	-	-	205,730
Exploration costs	163,385	19,568	18,710	-	-	-	201,663
Development costs (a)	502,615	46,309	28,255	-	-	-	577,179
Closure of mining units	80,728	17,989	-	-	-	-	98,717
Community rights	6,814	2,097	-	-	-	-	8,911
Other intangibles	7,060	1,249	436	-	-	-	8,745
	972,443	92,455	36,047	-	-	-	1,100,945
Net value	699,938						650,650

	Balance as of January 1, 2022	Additions	Disposals	Transfers	Change in estimate	Impairment recovery	Balance as of December 31, 2022
	US$000	US$000	US$000	US$000	US$000 (Note 33)	US$000	US$000
Cost of:							
Mining concessions	272,001	-	-	-	-	-	272,001
Exploration costs	303,626	14,076	-	-	-	(5,155)	312,547
Development costs (a)	904,488	90,087	-	-	-	(164,000)	830,575
Closure of mining units	154,019	-	-	-	63,576	-	217,595
Community rights	24,384	-	-	-	261	-	24,645
Other intangibles	17,822	5,173	(8,170)	228	-	(35)	15,018
	1,676,340	109,336	(8,170)	228	63,837	(169,190)	1,672,381
Amortization of:							
Mining concessions	206,140	5,701	-	-	-	-	211,841
Exploration costs	143,301	20,084	-	-	-	-	163,385
Development costs (a)	439,511	63,104	-	-	-	-	502,615
Closure of mining units	67,153	13,575	-	-	-	-	80,728
Community rights	3,964	2,850	-	-	-	-	6,814
Other intangibles	14,288	941	(8,169)	-	-	-	7,060
	874,357	106,255	(8,169)	-	-	-	972,443
Net value	801,983						699,938

(a) Development costs:

The movement and structure of this item is presented below:

	Balance as of January 1, 2023	Additions	Transfers	Impairment estimate	Impairment recovery	Balance as of December 31, 2023
	US$000	US$000	US$000	US$000	US$000	US$000
Cost of:						
Yauli	464,357	62,936	-	(91,806)	-	435,487
Cerro de Pasco	75,128	-	28,255	-	52,673	156,056
Animon	284,832	13,372	-	-	-	298,204
Vinchos	6,258	-	-	-	-	6,258
	830,575	76,308	28,255	(91,806)	52,673	896,005
Accumulated amortization of:						
Yauli	279,177	27,677	-	-	-	306,854
Cerro de Pasco	75,128	-	28,255	-	-	103,383
Animon	142,052	18,632	-	-	-	160,684
Vinchos	6,258	-	-	-	-	6,258
	502,615	46,309	28,255	-	-	577,179
Net cost	327,960					318,826

	Balance as of January 1, 2022	Additions	Impairment estimate	Balance as of December 31, 2022
	US$000	US$000	US$000	US$000
Cost of:				
Yauli	561,228	67,129	(164,000)	464,357
Cerro de Pasco	75,128	-	-	75,128
Animon	261,874	22,958	-	284,832
Vinchos	6,258	-	-	6,258
	904,488	90,087	(164,000)	830,575
Accumulated amortization of:				
Yauli	241,609	37,568	-	279,177
Cerro de Pasco	75,128	-	-	75,128
Animon	116,516	25,536	-	142,052
Vinchos	6,258	-	-	6,258
	439,511	63,104	-	502,615
Net cost	464,977			327,960

(b) The annual charge for amortization has been distributed as follows:

	2023	2022
	US$000	US$000
Cost of sales (Note 22)	89,702	105,043
Administrative expenses (Note 23)	2,559	409
Other expenses (Note 25)	194	803
Total	92,455	106,255

(c) As of December 31, 2023, the cost of mining concessions, development costs and other intangibles is presented net of accumulated impairment of US$694,359, distributed in items of mining concessions for US$45,984, exploration costs for US$237,045, development costs for US$359,786, and other intangibles for US$51,544 (as of December 31, 2022, it is presented net of accumulated impairment of US$636,331, distributed in items of mining concessions for US$45,984, exploration costs for US$233,821, development costs for US$304,981, and other intangibles for US$51,546).

In 2023, as part of the impairment assessment of certain cash-generating units (CGUs), the Company's Management determined an estimate of impairment loss for US$99,742, distributed in items of exploration costs for US$7,936, development costs for US$91,806, and also determined an impairment recovery for US$54,966, distributed in items of exploration costs for US$2,293 and development costs for US$52,673 (Note 26).

16. FINANCIAL OBLIGATIONS

The movement and structure of this item is presented below:

	Original amount		Interest rate (%)	Maturity	Total	
	S/	US$000			2023	2022
					US$000	US$000
Loans (a):						
Banco Internacional del Perú-Interbank	29,570	-	Between 0.99 and 1.48	Between Apr-23 and Jul-23	-	1,728
Scotiabank Perú S.A.A.	9,665	-	Between 1.15 and 1.30	Between Sep-23 and Oct-23	-	1,039
					-	2,767
Bonds:						
Negotiated bonds (b)	-	475,000	4.375	Feb-26	365,000	365,000
Adjustment for amortized cost (issue costs)					(2,296)	(3,398)
					362,704	361,602
Syndicated loan (c)	-	400,000	-	Jan-26	400,000	400,000
Adjustment for amortized cost (issue costs)					(2,030)	(3,045)
					397,970	396,955
Lease liability with third parties						
Lease liability	-	-	-	-	15,270	10,972
					15,270	10,972
Lease liability with financial entities						
Banco Internacional del Perú-Interbank	-	2,573	Between 2.19 and 4.45	Between Jan-24 and Feb-25	2,573	6,370
Scotiabank Perú S.A.A.	-	11,298	Between 2.04 and 3.83	Between Jan-24 and Jul-26	11,298	20,204
					13,871	26,574
Interests payable					14,054	12,598
Total financial obligations					803,869	811,468
Non-current portion					667,543	776,771
Current portion					136,326	34,697

(a) As of December 31, 2022, this item corresponds to short-term loans obtained from Interbank and Scotiabank for working capital and acquisition of machinery. The loans from Interbank and Scotiabank do not require the compliance with financial ratios, but they did maintain restrictions for certain subsidiaries such as the allocation of dividends, while the loans were held effective. These loans were paid in 2023.

(b) Negotiated bonds known as "4.375% Senior Notes Due 2026" were issued on February 11, 2021 and placed in their entirety in the international market for US$475,000, at an annual coupon rate of 4.375%, maturing in 5 years. Interests will be paid in semiannual installments from August 11, 2021 to February 11, 2026. The issue document of these bonds does not establish the compliance with financial covenants; however, it establishes certain limitations, such as incurring additional debts, for the Company as well as for Subsidiaries considered restricted, if when acquiring such debt, the consolidated fixed hedge rate of the Company and Subsidiaries is less than 2.0. This document also establishes limitations for the sale of assets, among others.

Funds were received on February 11, 2021 and in that month, the Company did the following:

(i) Partial purchase of *"5.375% Senior Notes Due 2022"* for US$125,000.

(ii) Payment of syndicated loan for US$303,000, including accrued interests.

(iii) Payment of other medium-term credits for US$34,000.

(iv) The balance of funds received for the new issue of bonds was used for operation-related expenses.

The instruments issued by the Company were partially repurchased on June 21, 2022 for up to US$110,000 by using the Company's available cash. A profit of US$6,600 was obtained from this transaction due to the discount obtained at the face value of the repurchased debt.

(c) On December 29, 2021, the Company signed an agreement for a syndicated loan managed by Citigroup Global Markets Inc. and Banco Santander S.A. for US$400,000 with a maturity of 48 months and a grace period of 24 months.

The loan was disbursed on January 25, 2022.

Sixty percent of the loan will be amortized with 7 quarterly installments and a final installment of forty percent. The interest rate of this loan is variable, equivalent to LIBOR (3m) plus a markup calculated based on the credit rating of the company. The applicable markup is 400 bps as of December 31, 2023 (325 bps as of December 31, 2022).

The lenders of this loan are the following entities: Banco Santander, S.A.; Citibank, N.A; Bank of Nova Scotia; Banco Internacional del Peru S.A.A.; Banco Interamericano de Finanzas; Banco de Crédito e Inversiones, S.A.; Banco Latinoamericano de Comercio Exterior, S.A.; Bancaribe Curacao Bank N.V.; Banco de Crédito del Perú; Natixix, New York Branch and Banco de Occidente Panamá, S.A.

This loan is secured by the Company and the following related entities:

Compañía Minera Chungar S.A.C. and Empresa Administradora Cerro S.A.C. (the guarantors). The agreement establishes that the Company and guarantors together shall represent no less than 90% of the consolidated EBITDA (the term EBITDA is defined in the contract).

In the event that the aforementioned subsidiaries do not cover said percentage or are sold, the other subsidiaries of the Company will become guarantors until said percentage is reached. In addition, the agreement has established the following financial covenant:

- Consolidated total debt to EBITDA ratio: the consolidated debt to EBITDA ratio, measured as of the last day of each fiscal quarter described below, should be less than: (i) 4.25 – 2022-2023; (ii) 4.00 – 2024; (iii) and thereafter 3.75.

The result of the debt to EBITDA ratio is 2.87 and 2.70 as of December 31, 2023 and 2022, respectively.

The funds of the operation were fully destined to the payment of *"5,375% Senior Notes Due 2022"*, issued on February 2, 2012.

(d) The debt amortization schedule at face value, including interests to be accrued, as of December 31, 2023 and 2022 is as follows:

	2023 US$000	2022 US$000
2023	-	84,010
2024	160,941	62,580
2025	202,799	52,885
2026	562,280	762,551
Total	926,020	962,026

(e) As of December 31, 2023 and 2022, the reconciliation of cash flows to financial obligations are shown below:

	2023	2022
	US$000	US$000
Movements related to cash flows		
Obtainment of syndicated loans	-	400,000
Issue costs - syndicated loan	-	(3,045)
Payment of short-term loans from banks	(2,804)	(9,937)
Bond payment	-	(410,264)
Bond purchase, net	-	(110,000)
Payment of leases with financial entities	(13,413)	(14,938)
Payment of interests on loans	(54,183)	(48,195)
Payment of leases with third parties	(9,172)	(6,584)
Bank overdrafts	(848)	(971)
Total	(80,420)	(203,934)
Movements not related to cash flows		
Obtainment of finance leases	1,240	17,005
Interests on loans	55,639	42,593
Exchange difference - financial obligations	868	982
Accrual of issue costs - bonds	1,012	2,496
Accrual of structural costs - syndicated loan	1,015	-
Lease liabilities with third parties	12,199	14,900
Decrease of financial obligations during the year	(8,447)	(125,958)
Financial obligations at the beginning of the year	810,497	936,455
Financial obligations at the end of the year	802,050	810,497

(f) Guarantees

The Company has guarantees received from its Subsidiaries Compañía Minera Chungar S.A.C. and Empresa Administradora Cerro S.A.C. in order to secure the full compliance with pertinent obligations for the international issuance of bonds under Rule 144A and Regulation S of the United States Securities Act of 1933.

17. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	2023	2022
	US$000	US$000
Invoices payable (a) (b)	169,656	168,694
Invoices receivable (c)	58,207	76,292
Guarantee funds	14,350	14,873
Total	242,213	259,859

(a) Trade accounts payable mainly arise from the acquisition of materials and supplies for the execution of activities of the Company and Subsidiaries and are mainly denominated in U.S. dollars and soles, have current maturity, do not accrue interests and no guarantees have been granted for these obligations. As of December 31, 2023 and 2022, balances payable are effective and within the payment terms established by the Company and Subsidiaries, which range between 30 and 90 days.

(b) As of December 31, 2023, the Company and Subsidiaries hold obligations for US$39,345 (US$52,174 as of December 31, 2022), which are related to invoices that the suppliers have granted to financial entities. Those obligations do not accrue interests and have the original maturity that was agreed upon with suppliers.

(c) Invoices receivable correspond to the estimated record of consumption of goods and services, for which, at the date of the consolidated financial statements, the payment receipts issued by their pertinent suppliers have not been received.

18. OTHER ACCOUNTS PAYABLE

Other accounts payable comprise the following:

	2023	2022
	US$000	US$000
Short term		
To third parties		
Salaries and profit-sharing of employees (a)	23,359	27,128
Income tax	107	6,562
Advances from customers (a)	3,200	3,200
Mining taxes	2,388	2,725
Dividends	975	951
Contribution to OEFA	136	203
Other minor items	4,250	4,794
	34,415	45,563
Amortized cost:		
Water use/treatment/discharge	7,744	5,520
Operating rights and penalties	7,371	5,310
Other minor items	1,983	2,024
	17,098	12,854.00
	51,513	58,417
To related entities		
Salaries and bonuses of the Board of Directors	8,436	7,573
Sundry items	546	259
	8,982	7,832
Total	60,495	66,249
Long term		
Advances from customers (a)	-	3,200
	-	3,200

(a) This item corresponds to an advance received from IXM S.A. for the future delivery of 3,750 MT of lead concentrate, which will be completed in 2024.

(b) As of December 31, 2023, this item mainly includes vacations, profit-sharing, and performance bonus of employees for US$11,090, US$2,833 and US$7,138, respectively

(US$12,031, US$7,741 and US$5,176 for vacations, profit-sharing, and performance bonus of employees, respectively, in 2022).

19. PROVISIONS

Provisions comprise the following:

	2023 US$000	2022 US$000
Provisions for lawsuits (a)	32,346	25,422
Mine closure (Note 33)	262,670	270,714
Agreements with communities (b)	23,365	22,180
Other provisions	5,093	4,968
Total	323,474	323,284

(a) The movement of provisions for lawsuits is presented below:

	US$000
Balance as of January 1, 2022	25,970
Provision for the year (Note 25)	4,419
Reversal (Note 25)	(4,967)
Balance as of December 31, 2022	25,422
Provision for the year (Note 25)	6,924
Balance as of December 31, 2023	32,346

(b) As of December 31, 2023, the nominal value of the provision for obligations with communities is US$25,504 (US$23,706 as of December 31, 2022), which has been determined using the annual discount rate of 1.85% (1.25% in 2022), resulting in a net value of US$23,365 (US$22,180 as of December 31, 2022).

20. EQUITY

(a) Issued capital stock

The issued capital stock of the Company is represented by 1,633,414,553 class A voting shares, and 2,443,157,622 class B non-voting shares with a right of preferred dividend allocation, which is not cumulative. All common shares are duly subscribed and paid and have a face value of S/0.66 per share (S/0.87 in 2022).

The preferred right to participate in the allocation of dividends in cash consists in receiving an additional payment for dividends of 5% per share, only on the amount of each dividend in cash paid to each common class A share. This right is not cumulative if the Shareholders' Meeting does not declare nor pay dividends in cash in any period.

Both common class A and B shares, listed on the Lima Stock Exchange, are actively negotiated in the stock market. Their quotation was S/0.53 and S/0.312 per share, respectively (S/1.50 and S/0.51 per share, respectively, as of December 31, 2022). As of December 31, 2023, the negotiation frequency of class A shares was 25% and 95% for class B shares (20% for class A shares and 100% for class B shares as of December 31, 2022).

The equity interest structure as of December 31, 2023 and 2022 is as follows:

Individual interest percentage in issued capital stock	Number of shareholders		Total interest percentage	
	2023	2022	2023	2022
			%	%
Less than 0.20	8,315	7,669	12.73	12.03
From 0.20 to 1.00	19	18	8.31	8.08
From 1.01 to 5.00	18	18	56.77	52.69
From 5.01 to 10.00	1	2	5.40	10.41
From 10.01 to 20.00	1	1	16.79	16.79
	8,354	7,708	100.00	100.00

The Shareholders' Meeting of Volcan Compañía Minera S.A.A. was held on July 3, 2023, in which class A and class B shareholders participated and agreed to reduce the capital stock of the Company by US$227,620 (S/856,080) through the decrease of the face value of all class A and class B shares issued by the Company; that is, affecting 4,076,572,175 shares issued by the Company, whose face value reduced from S/0.87 to S/0.66.

(b) Higher value in acquisition of treasury shares

This item corresponds to the result obtained from the purchase of treasury shares, which are credited or debited in this account.

(c) Treasury shares

This item corresponds to shares of the Company acquired by Subsidiaries. From total shares, 182,994,435 common class A shares and 12,234,901 class B shares are owned by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 common class A shares are owned by subsidiary Compañía Minera Chungar S.A.C., and 306,283 common class A shares are owned by subsidiary Compañía Industrial Limitada de Huacho S.A.

(d) Legal reserve

Pursuant to the General Business Law, the legal reserve is established by transferring a minimum of 10% of net profit from each period, after deducting accumulated losses, until it achieves an amount equivalent to the fifth part of capital. In the absence of undistributed profit or freely available reserves, the legal reserve shall be applied to offset losses, and must be replaced. The legal reserve can be capitalized but shall also be replaced.

(e) Accumulated other comprehensive income

This item corresponds to unrealized profit (loss) of derivative financial instruments designated as hedging instruments. This unrealized profit or loss derives from the fact that the price of commodities was agreed upon at a value higher or lower than their liquidation value, and at a profit or loss for the effect of the fair value of the investment in equity instruments (Note 8).

21. NET SALES

During 2023 and 2022, revenue mainly includes sales of zinc, lead, silver, and copper concentrates and silver bars, as follows:

	2023	2022
	US$000	US$000
Net sales per concentrate:		
Zinc	438,415	564,379
Lead	228,635	178,782
Silver bars	84,747	105,075
Silver	68,565	57,696
Copper	60,639	53,084
	881,001	959,016
Profit (loss) in:		
Execution of financial instruments	3,893	-
Embedded derivatives (Note 30(a))	(1,808)	(5,030)
Estimate of committed sales	-	(2,720)
Total	883,086	951,266

The net sales of concentrates to customers per geographical area are presented below (without including the valuation effect of the embedded derivative and unrealized profit of hedging instruments):

	2023	2022
	US$000	US$000
Peru	606,197	734,132
Asia	197,439	122,925
Europe	77,365	96,651
America	-	5,308
	881,001	959,016

(a) Sales concentration

In 2023, the three most important customers represented 46% of total sales (67% of total sales in 2022). As of December 31, 2023 and 2022, 28% of accounts receivable is related to these customers. The concentrates of the Company and Subsidiaries are sold to renowned companies in the country and abroad, with whom commercial agreements are executed.

(b) Sales commitments

As of December 31, 2023, the Company and Subsidiaries hold commitments with related entities and third parties for sales of zinc, lead, and copper concentrates for 739,419 WMT, 158,181 WMT and 11,735 WMT until 2028, for an approximate amount of US$710,149, US$357,436 and US$41,265, respectively (698,730 WMT, 92,653 WMT and 8,700 WMT, respectively, as of December 31, 2022, for an approximate amount of US$800,594, US$191,372 and US$41,365).

As of December 31, 2023, the Company and Subsidiaries hold commitments for the sale of dore bars for 2,620,600 oz. for US$55,815. As of December 31, 2022, the Company and Subsidiaries held commitments for the sale of dore bars for 3,570,000 oz. for US$91,286.

22. COST OF SALES

Cost of sales comprises the following:

	2023	2022
	US$000	US$000
Beginning balance of concentrates (Note 12)	11,036	11,383
Beginning balance of minerals (Note 12)	13,547	19,610
Services provided by third parties, energy and others	279,460	284,316
Consumption of supplies	128,476	135,266
Depreciation (Note 13 (b))	103,455	106,245
Depreciation of right-of-use assets (Note 14)	4,568	5,952
Labor	89,524	87,178
Amortization (Note 15 (b))	88,829	104,267
Ending balance of concentrates (Note 12)	(8,052)	(11,036)
Ending balance of minerals (Note 12)	(11,956)	(13,547)
Subtotal	698,887	729,634
Cost of plant shutdown	23,962	30,714
Depreciation of plant shutdown (Note 13 (b))	1,785	1,619
Amortization of plant shutdown (Note 15 (b))	873	776
Total	725,507	762,743

23. ADMINISTRATIVE EXPENSES

Administrative expenses comprise the following:

	2023	2022
	US$000	US$000
Personnel charges	21,565	17,566
Professional fees	5,613	14,981
Services provided by contractors	4,912	9,537
Mails, telecommunications and other minor items	3,103	7,098
Insurance	4,316	4,210
Communications and information technology	810	2,507
Operating rights - Penalties	2,908	2,490
Personnel services	221	2,230
Leases	2,325	1,744
Depreciation of right-of-use assets (Note 14)	870	1,134
Amortization (Note 15 (b))	2,559	409
Depreciation (Note 13 (b))	1,528	229
Others	4,427	5,211
Total	55,157	69,346

24. SELLING EXPENSES

Selling expenses comprise the following:

	2023 US$000	2022 US$000
Freight	19,306	17,521
Services for the sale of concentrates	3,296	1,571
Sundry services	776	1,005
Services provided by contractors	864	1,022
Personnel expenses	1,159	1,417
Samples, analysis and supervision	1,476	966
Shipment expenses	1,152	292
Services provided by third parties	352	765
Leases	2,139	197
Depreciation (Note 13(b))	43	96
Total	30,563	24,852

25. OTHER INCOME AND EXPENSES

Other income comprises the following:

	2023 US$000	2022 US$000
Other income:		
Income from the sale of energy to third parties	23,767	16,384
Income from the sale of sundry supplies	9,991	12,459
Income from recovery of impairment of other accounts receivable	13,688	8,384
Insurance compensation	4,481	-
Income from services provided to third parties	2,457	7,265
Reversal of provision for lawsuits (Note 19)	-	4,967
Disposal of fixed assets	680	2,375
Recovery of impairment of supplies (Note 12)	794	189
Profit from valuation of investment in associate under the equity method	316	-
Others	7,255	8,045
Total	63,429	60,068

Other expenses comprise the following:

	2023	2022
	US$000	US$000
Other expenses:		
Cost of sales of sundry supplies	(10,660)	(12,832)
Services provided by contractors	(7,603)	(12,013)
Cost of sales of energy	(9,900)	(9,227)
Professional fees	(4,344)	(6,321)
Compensation	(37)	(5,839)
Expense for mine closure and communities	(8,866)	(2,052)
Derecognition of property, plant and equipment	(1,287)	(5,340)
Provision for lawsuits (Note 19)	(6,924)	(4,419)
Tax administrative penalties	(3,201)	(3,814)
Leases	(2,690)	(3,321)
Depreciation (Note 13(b))	(2,411)	(3,264)
Sundry non-deductible expenses	(2,071)	(2,887)
Contribution for regulation OEFA and OSINERMING	(1,764)	(2,421)
Cost of services provided to third parties	(5,228)	(1,428)
Loss for valuation of investment in associate under the equity method	-	(1,343)
Impairment of other accounts receivable	(7,031)	(1,213)
Impairment estimate for supplies (Note 12)	(1,099)	(1,120)
Amortization (Note 15(b))	(194)	(803)
Others	(3,285)	(7,808)
Total	(78,595)	(87,465)

26. IMPAIRMENT OF NON-FINANCIAL ASSETS

By applying International Financial Reporting Standard 36 Impairment of non-financial assets, the Company and Subsidiaries updated their assessment of the recoverable value of long-term assets.

In 2023, as part of the impairment assessment of certain cash-generating units (CGU), the Company’s Management determined a loss for the impairment estimate of US$124,800 in Volcan Cía. Minera S.A.A. They also recognized a recovery corresponding to the impairment estimate in Empresa Administradora Cerro S.A.C. and Empresa Generadora Rio Baños S.A.C. for US$81,800 and US$6,800, respectively.

The impairment in Volcan Cía. Minera S.A.A. resulted from lower volumes of resources and the increase of the discount rate, assumptions used in the determination of its cash flows. Such amount was fully allocated to the items Buildings and constructions and Development costs.

The recovery mainly in Empresa Administradora Cerro S.A.C. resulted from higher volumes of resources. This amount was allocated to the items Buildings and constructions, Exploration costs and Development costs.

In 2022, as part of the impairment assessment of certain cash-generating units (CGU), the Company's Management determined a loss for the impairment estimate of US$184,824, distributed in Empresa Administradora Cerro S.A.C. for US$20,824, Volcan Cía. Minera S.A.A. for US$164,000, and Empresa Explotadora de Vinchos Ltda. S.A.C. for US$45. They also recognized a recovery corresponding to the impairment estimate in Óxidos de Pasco S.A.C. for US$58,800.

	2023	2022
	Impairment estimate	Impairment estimate
	US$000	US$000
Cash-generating units:		
Volcan	(124,800)	(164,000)
Cerro	81,800	(20,824)
Egerba	6,800	-
Óxidos	-	58,800
Vinchos	-	(45)
Total	(36,200)	(126,069)
Recorded in:		
Property, plant and equipment (net) (Note 13)	8,576	43,921
Exploration costs (Note 15)	(5,643)	(5,155)
Mining concessions, development costs and other intangibles (net) (Note 15)	(39,133)	(164,035)
Right-of-use assets (net) (Note 14)	-	(800)
Total	(36,200)	(126,069)

For the calculation of the value in use, flows were projected during the life of mine of each CGU. The discount rate used, for flows after taxes, was 13.25% and 9.35% as of December 31, 2023 and 2022, respectively. The Company and Subsidiaries' mining units are aligned to the life of the mines, which ranges from 2024 to 2045. In case of power companies, the discounts rate used was 13.25% and 9.35% as of December 31, 2023 and 2022, and the useful lives of assets range from 2024 to 2051.

The impairment estimate is highly sensitive to several factors such as the price of minerals, proven and probable reserves and inferred resources, head grades and discount rate. A change in the perspectives of these assumptions may give rise to additional significant impairments/reversals. Level 3 valuation techniques were used in the determination of the discounted value for both periods.

Management of the Company and Subsidiaries believes that the balance of the impairment estimate for non-financial assets is sufficient to cover the impairment risk appropriately at the date of the consolidated statement of financial position. In addition, Management considers that no significant changes will be made on the discount rate that may increase the impairment loss.

27. FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise the following:

	2023 US$000	2022 US$000
Financial income		
Net exchange difference profit	951	-
Income from purchase of bonds, net of early tender premium	-	6,600
Interests on loans	4,841	5,107
Dividends	-	2,302
Other financial income	1	742
Total	5,793	14,751
Financial expenses		
Net exchange difference loss	-	(2)
Interests on issued bonds	(16,766)	(21,058)
Interests on syndicated loans	(38,488)	(20,811)
Interests and expenses of financial obligations	(1,200)	(3,811)
Financial costs for purchase of bonds	-	(1,546)
Effect for the update of the present value of mine closure (Note 33)	(3,393)	(3,092)
Amortized cost of bonds	(881)	(1,965)
Effect for the update of the present value of communities	(230)	-
Interests on lease liabilities	(1,271)	(850)
Commissions and other expenses	(8,297)	(3,989)
Total	(70,526)	(57,124)

28. INCOME TAX

Income tax profit shown in the consolidated statement of profit or loss comprise the following:

	2023 US$000	2022 US$000
Income tax		
Current	(12,116)	(29,499)
Deferred (a)	57,096	63,583
	44,980	34,084
Special mining tax (b)	(2,019)	(4,450)
Mining royalties (b)	(8,599)	(9,098)
Contribution to the mining retirement fund (c)	(193)	(404)
Total	34,169	20,132

(a) The Company and Subsidiaries recognize the effects of temporary differences between the accounting basis and the tax basis. Income tax is presented in the following table, according to the items that generated it.

		Additions (deductions)			Additions (deductions)		
	Balance as of January 1, 2022	Statement of profit or loss	Other comprehensive income	Balance as of December 31, 2022	Statement of profit or loss	Other comprehensive income	Balance as of December 31, 2023
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Deferred asset							
Depreciation expenses of property, plant and equipment (net)	68,104	(15,893)	-	52,211	(9,026)	-	43,185
Amortization expenses of mining rights and concessions, exploration, development and stripping costs	50	(2)	-	48	(2)	-	46
Provision for the closure of mining units	42,846	19,707	-	62,553	(1,883)	-	60,670
Lease liability	709	2,338	-	3,047	1,308	-	4,355
Fair value of derivative financial instruments	661	(661)	-	-	-	-	-
Provision for contingencies	7,104	324	-	7,428	1,725	-	9,153
Obsolescence estimate for inventories	3,428	266	-	3,694	(1,423)	-	2,271
Recoverable tax loss	27,838	(5,804)	-	22,034	1,726	-	23,760
Embedded derivatives and sales adjustments	-	119	-	119	(119)	-	-
Fair value of shares of Cementos Polpaico S.A.	7,104	-	(28)	7,076	-	374	7,450
Provision for community agreements	5,627	151	-	5,778	487	-	6,265
Pending vacations payable	1,712	100	-	1,812	(55)	-	1,757
Provision for doubtful accounts	50	-	-	50	1,428	-	1,478
Undercapitalization - interests	4,647	216	-	4,863	135	-	4,998
Others	2,426	138	-	2,564	407	-	2,971
Total	172,306	999	(28)	173,277	(5,292)	374	168,359
Deferred liability							
Use of amortization benefits of mining rights and concessions, exploration, development and stripping costs	(253,792)	36,623	-	(217,169)	31,287	-	(185,882)
Use of depreciation benefitis of property, plant and equipment (net)	(21,072)	(2,275)	-	(23,347)	12,715	-	(10,632)
Effect for translation of tax benefits into U.S. dollars	(79,139)	21,715	-	(57,424)	15,076	-	(42,348)
Valuation of stockpiles	(1,959)	125	-	(1,834)	226	(51)	(1,659)
Adjustment at fair value of investments in associates	(5,143)	396	-	(4,747)	(93)	-	(4,840)
Insurance compensation	(2,025)	-	-	(2,025)	2,025	-	-
Embedded derivatives	(976)	871	-	(105)	(298)	-	(403)
Sales adjustments	(1,357)	475	-	(882)	882	-	-
Amortized cost of financial obligations	(1,773)	(127)		(1,900)	624	-	(1,276)
Others	(4,901)	4,781	-	(120)	(56)	-	(176)
Total	(372,137)	62,584	-	(309,553)	62,388	(51)	(247,216)
Net asset (liability)	(199,831)	63,583	(28)	(136,277)	57,096	323	(78,857)

Management believes that there is a reasonable certainty about the recoverability of the deferred income tax asset related to the tax loss of the Company and its Subsidiaries, considering the option selected by the Company and its Subsidiaries for offsetting losses and the business plan. In 2023, the Company recovered US$7,731 (US$14,220 as of December 31, 2022), and in case of subsidiaries Compañía Minera Chungar S.A. and Hidroeléctrica Huanchor S.A.C., an increase of tax loss was recorded for US$8,801 (US$8,416 as of December 31, 2022) and US$1,375, respectively.

For other subsidiaries that have tax losses, no deferred income tax assets generated for US$33,579 were recognized (US$56,181 as of December 31, 2022) since there was no certainty about the recoverability of such deferred income tax asset.

(b) Mining royalties and special mining tax

On September 28, 2011, pursuant to Law No. 29788, the Law of the Mining Royalty (Law No. 28258) was modified and established that all companies that do not have an established regime will take the operating profit as a basis for the calculation of mining royalties. Tax rates range between 1% and 12%, depending on the operating margin. In no case, royalties shall be less than 1% of quarterly sales. The paid quantity is classified as an accepted deduction for the calculation of income tax. Mining companies are required to submit a quarterly tax return and make payments in local currency in the last 12 working days of the second month after the month when the quarter ends.

In addition, the Special Mining Tax is created pursuant to Law No. 29789. The tax is imposed on the operating profit and is not applicable to companies that have entered into a tax stability agreement with the Peruvian government.

(c) Contribution to the mining retirement fund

This item corresponds to the contribution of 0.5% of annual income of mining, metallurgical, and iron and steel companies, before taxes, to provide a complementary payment, in addition to retirement, disability and survival pensions of mining, metallurgical and iron and steel employees, pursuant to Law No. 29741, which is applicable since 2012.

The resources of FCJMMS (Complementary Mining, Metallurgical and Iron and Steel Fund) will be managed by the FCR (Consolidated Fund of Social Security Reserves), created by Legislative Decree No. 817, Social Security Regime Law under the responsibility of the Peruvian government.

SUNAT manages the contributions to FCJMMS, which will be transferred to the FCR to be part of the FCJMMS. The requesting parties collect these contributions at the Service Center of the Social Security Administration (ONP, for its acronym in Spanish).

Tax situation

(i) Current tax framework

The Company and Subsidiaries are subject to the Peruvian tax regime. The income tax rate applicable to companies for 2023 is 29.5%.

The last paragraph of article 52-A of the Income Tax Law (hereinafter ITL) establishes that the companies that distribute to domiciled natural entities dividends and any other form of profit distribution referred to in paragraph i) of article 24° of the ITL are imposed with a rate of 5%.

Article 54° establishes that natural entities that are not domiciled in the country will be subject to the withholding of 5% of their income from Peruvian source, such as dividends and other forms of profit distribution, except those indicated in paragraph f) of article 10° of the ITL.

Paragraph e) of article 56° establishes that the tax on legal entities that are not domiciled in the country will be determined by applying a rate of 5% when dividends are distributed, and other forms of profit distribution received from legal entities. However, any amount or payment in kind resulting from the taxable third-category income that represents an indirect disposal of income that is not susceptible to subsequent tax control, including amounts charged to undeclared expenses and income (alleged dividends), is subject to the income tax rate of 5% assumed by the entity in 2023.

Management of the Company and Subsidiaries believes that, as a result of the application of these standards, no significant contingencies will arise for the Company and Subsidiaries as of December 31, 2023.

(ii) Open years to tax review

The Tax Administration is authorized to review, and if applicable, correct the income tax determined by the Company and Subsidiaries in the last four years, counted from January 1 of the year following the year when the pertinent income tax return was submitted (open years to tax review).

Income tax returns from 2019 to 2023 and value-added tax for the periods from December 2019 to December 2023 of the Company and Subsidiaries will be reviewed by the Tax Administration. In addition, the income tax return of the Company for 2020 is also subject to review.

Since certain differences may arise from the interpretation that the Tax Administration has on regulations applicable to the Company and Subsidiaries, it is not possible to determine to date whether additional tax liabilities will arise or not from the reviews to be conducted. Any additional tax, charge, and interest, if incurred, will be recognized in profit or loss for the year when such criteria differences with the Tax Administration are resolved. However, Management of the Company and Subsidiaries believes that that no material liabilities will arise as a result of potential reviews.

(iii) Transfer pricing

The following new standards have been established in order to determine income tax:

- Comparable uncontrolled price (CUP) for commodities: It is confirmed that, for import or export of commodities, the market value will be provided by quotation (it was established before for operations with intermediaries or from, through or to tax havens). The detail of this standard is included in the regulations.

- New formal obligations: The Transfer Pricing Technical Study is no longer submitted and new tax returns are included:

Tax return	Minimum annual income	Assumption	Details	Effective from
Local report	S/11,385 (US$3,066)	Operations with related entities	Transactions that give rise to taxable income or deductible expense	2018
Master report	S/99,000 (US$26,663)	Taxpayers that are part of a Group	Organizational structure, description of the business, transfer pricing policies, financial and tax position	2018
Report per country	Not applicable	Taxpayers that are part of a Multinational Group	Global revenue distribution, paid taxes, and activities of each entity of the multinational group	2019

The Company and Subsidiaries have submitted the local report, master report and report per country for 2022 to the Tax Administration and are now preparing the pertinent reports for 2023.

Based on the analysis of operations of the Company and Subsidiaries, Management and its legal advisors consider that no significant liabilities will arise for the consolidated financial statements as of December 31, 2023 and 2022, in relation to transfer pricing.

(iv) Reconciliation of effective income tax rate with tax rate

During 2023 and 2022, the effective income tax rate is different from the tax rate. The nature of this difference is due to certain items related to taxable profit, whose effects are summarized below:

	2023		2022	
	Amount	Percentage	Amount	Percentage
	US$000	%	US$000	%
Loss before income tax	(44,152)	100.00	(101,514)	100.00
Income tax as per tax rate	(13,025)	29.50	(29,946)	29.50
Unrecognized deferred tax for tax losses	(671)	1.52	1,258	(1.24)
Adjustment of income tax from previous years			-	-
Translation effect of non-financial assets	181	(0.41)	(3,536)	3.48
Deferred assets not recognized due to lack of recoverability	(28,200)	63.87	6,837	(6.74)
Tax effects on non-deductible expenses and other minor items	(3,265)	7.39	(8,697)	8.57
Mining taxes	10,811	(24.49)	13,952	(13.74)
Income tax expense and tax rate applicable to profit as per records	(34,169)	77.39	(20,132)	19.83

(v) Income tax payable

The Company and Subsidiaries have a credit balance with the Tax Administration for US$107 as of December 31, 2023 (US$6,562 as of December 31, 2022) (Note 18).

(vi) Significant changes to income tax in Peru

After December 31, 2023, no significant changes have been made to the income tax regime in Peru, which may affect these consolidated financial statements. The standards and interpretations effective as of December 31, 2023 have been considered by Management when preparing these consolidated financial statements.

Below we present the main amendments that will be applicable as from 2024:

- Presumed interests for cash loans between unrelated entities

  Pursuant to Legislative Decree No. 1545 published on March 15, 2023, article 26 of the Income Tax Law was modified. It was established that, in case of loans in local currency, the presumed interest will be the TAMN (lending rate in local currency) multiplied by an adjustment factor of 0.42. In case of loans in foreign currency, the presumed interest rate will be the TAMEX (lending rate in foreign currency) multiplied by an adjustment factor of 0.65.

  If there is an economic relationship between the creditor and the debtor, the presumed interest rate shall be determined by transfer pricing regulations.

(vii) Tax losses

In accordance with Legislative Decree No. 945 and as established by Law No. 27513, tax loss carryforwards may be applied under one of the following options:

(a) Offsetting total net third category loss from Peruvian source recorded in one taxable year, assigning this amount every year until its depletion, to net third category income to be obtained in the four immediately subsequent years, calculated as from the following year of its generation. The amount that is not offset once this period of time has passed will not be offset in subsequent years.

(b) Offsetting total net third category loss from Peruvian source recorded in one taxable year, assigning this amount every year until its depletion, to 50% of net third category income to be obtained in immediately subsequent years.

Management of the Company and Subsidiaries Compañía Minera Chungar S.A.C. and Empresa Administradora Cerro S.A.C. selected option (b) and other Subsidiaries selected option (a) to offset tax losses.

29. BASIC AND DILUTED LOSS PER SHARE

Loss per share is calculated dividing consolidated net profit attributable to common shareholders by the weighted average of number of common shares outstanding at the date of the consolidated statement of financial position.

As of December 31, 2023 and 2022, diluted loss per common share has not been calculated since there are no diluting common or investment shares, such as financial instruments and other contracts that give the right to obtain common or investment shares, so it is the same as basic earnings per share.

	2023	2022
	US$000	US$000
Net loss	(9,983)	(81,382)
Average common shares - thousands of units	3,857,594	3,857,594
Net basic and diluted (loss) earnings per share for the year	(0.003)	(0.021)

30. DERIVATIVE FINANCIAL INSTRUMENTS

During 2023, the Company and Subsidiaries used derivative financial instruments to reduce market risks to which they are exposed. Risks mainly refer to the effects of changes in the prices of traded metals, which vary constantly.

Derivative financial instruments designated at fair value comprise changes in the settlement prices of covered commodities, which are adjusted at a market value based on future estimates of prices of metals at the date of the consolidated financial statements. The measurement of fair value is categorized at Level 2 since they are measurements derived from international quotation prices in effect included in Level 1.

(a) Hedging operations of mineral prices

In 2023, the Company and Subsidiaries entered into price swaps to ensure future flows provided by its sales, as well as treatment expenses that are subject to escalators that increase them in upward price scenarios.

As of December 31, 2023, the Company had the following hedging operations in force (Note 11), which will be settled in 2024:

Metal	Total volumen FMT/OZ	Period	Fair value
			US$000
Silver	124,998	January 2024 - June 2024	215
Total			215

(b) Embedded derivative for the variation of quotations in concentrate sale agreements

As of December 31, 2023 and 2022, provisional liquidations in metric tons (MT) of zinc, lead and copper, and ounces (Oz.) of silver held at those dates, their final liquidation periods and the fair value of embedded derivatives are shown below:

As of December 31, 2023:

	Quantity	Quotation period	Fair value
	DMT/OZ		US$000
Receivable			
Zinc	268,222	Jul 2023 - Feb 2024	1,293
Lead	142,446	May 2023 - Mar 2024	(562)
Copper	13,964	Nov 2023 - Feb 2024	225
Silver	54,659	Jun 2023 - Jan 2024	115
Total - Note 9			1,071

As of December 31, 2022:

	Quantity	Quotation period	Fair value
	DMT/OZ		US$000
Receivable			
Zinc	76,494	Dec 2022 - Mar 2023	(1,324)
Lead	12,976	Aug 2022 - Jan 2023	2,608
Copper	988	Jan - 2023	426
Silver	3,609	Jan 2023 - Feb 2023	1,170
Total - Note 9			2,880

As of December 31, 2023 and 2022, fair values of embedded derivatives caused a loss of US$1,808 and US$5,030, respectively, and are shown in item “Net sales” of the consolidated statement of profit or loss (Note 21). Future quotations of the dates when open positions as of December 31, 2023 and 2022 are expected to be liquidated are obtained from the publications of the London Metal Exchange.

31. INFORMATION PER BUSINESS SEGMENT

The Company organizes its activities in six business segments: Volcan, Chungar, Cerro, investments, energy, and other non-reportable segments.

The contributions of each business segment mainly derive from the net margin of production and sale of zinc, lead, copper or bulk concentrates, the production and sale of Dore bars, revenue from dividends received from investments in equity instruments, revenue from the lease of properties, and the sale of energy and power.

- Volcan: production and sale of concentrates produced in mining unit of Yauli, which comprises mines San Cristobal, Carahuacra, Andaychagua and Ticlio, Carahuacra Norte open pit and Victoria, Andaychagua and Mahr Tunel concentration plants.

- Chungar: production and sale of concentrates produced in mining units of Chungar and Alpamarca. Chungar comprises mines Animon and Islay and the Animon concentration plant. Alpamarca comprises Alpamarca open pit, mine Rio Pallanga and Alpamarca plant.

- Cerro: production and sale of concentrates produced in mining unit of Cerro, which comprises polymetallic stockpiles and San Expedito and Paragsha concentration plants. In addition, as a result of the merger with Oxidos, it has oxide stockpiles, oxides in site, pyrite stockpiles and the Oxidos leach pad.

- Investments: include operations of its Subsidiary Empresa Minera Paragsha S.A.C.
- Energy: includes operations in hydroelectric power plants Huanchor, Tingo and Rucuy.
- Others: include operations of port, non-operating, and other subsidiaries.

Data of interest per business segment as of December 31, 2023 and 2022 is presented in the tables below:

As of December 31, 2023:

	Volcan	Chungar	Cerro	Investment	Energy	Others	Deletions	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Total assets	2,200,968	747,519	397,503	147,116	117,120	25,779	(1,760,830)	1,875,175
Total liabilities	1,312,403	577,540	188,241	106,254	49,077	32,072	(755,010)	1,510,577
Sales	530,017	227,922	170,808	-	21,330	470	(67,462)	883,086
Gross profit	141,575	(101)	12,928		11,443	470	(8,736)	157,579
Operating expenses	(228,353)	(47,517)	(20,347)	(1,774)	(42,861)	(3,047)	143,472	(200,427)
Other operating income	29,674	10,474	99,429	36	33,876	1,065	(111,125)	63,429
Operating profit (loss)	(57,104)	(37,144)	92,010	(1,738)	2,458	(1,510)	23,609	20,581
Profit (loss) before income tax	(88,127)	(65,245)	99,594	(10,887)	3,104	(2,182)	19,591	(44,152)
Net profit (loss) for the year	(72,701)	(48,668)	99,944	(10,883)	5,515	(2,131)	18,941	(9,982)
<u>Detail of sales</u>								
Local sales	391,985	202,033	57,862	-	21,330	470	(67,482)	606,198
International sales	134,499	26,590	113,714	-	-	-	-	274,803
Embedded derivative, estimate of committed sales, adjustment of open temporary liquidations and execution of financial instruments	3,533	(701)	(768)	-	-	-	21	2,085
	530,017	227,922	170,808	-	21,330	470	(67,461)	883,086

As of December 31, 2022:

	Volcan	Chungar	Cerro	Óxidos	Investment	Energy	Others	Deletions	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Total assets	2,238,277	698,575	70,066	236,332	180,890	129,266	24,837	(1,602,355)	1,975,888
Total liabilities	1,277,133	475,787	171,704	25,376	95,480	38,402	28,945	(512,292)	1,600,535
Sales	554,513	238,292	104,225	105,075	-	16,385	461	(67,685)	951,266
Gross profit	163,844	(30,569)	28,268	22,120	-	7,157	461	(2,758)	188,523
Operating expenses	(266,935)	(46,215)	(45,124)	51,450	(1,628)	(2,868)	(5,696)	9,284	(307,732)
Other operating income	32,121	21,257	12,626	1,147	169	681	522	(8,455)	60,068
Operating profit (loss)	(70,970)	(58,142)	(4,230)	74,717	(1,459)	4,970	(4,714)	687	(59,141)
Profit (loss) before income tax	(89,612)	(75,623)	(3,323)	77,614	(5,937)	5,219	(5,235)	(4,617)	(101,514)
Net profit (loss) for the year	(72,546)	(48,819)	(6,774)	56,985	(5,939)	4,662	(4,984)	(3,967)	(81,382)
Detail of sales									
Local sales	503,867	200,365	80,252	96,651	-	16,385	461	(68,286)	829,695
International sales	55,542	41,215	23,973	8,424	-	-	-	-	129,154
Embedded derivative, estimate of committed sales, adjustment of open temporary liquidations and execution of financial instruments	(4,896)	(3,288)	-	-	-	-	-	602	(7,582)
	554,513	238,292	104,225	105,075	-	16,385	461	(67,684)	951,266

32. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

Based on the opinion of their external and internal legal advisors, the Company and Subsidiaries' Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$32,346 and US$25,422, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2023 and 2022, respectively (Note 19). The Company and Subsidiaries' Management and their legal advisors believe that this provision covers probable contingencies sufficiently.

In relation to possible contingencies, external and internal legal advisors of the Company and Subsidiaries determined an amount of US$84,479 (US$54,859 as of December 31, 2022), which corresponds to several proceedings addressed by the Company.

The detail of contingencies of the Company and Subsidiaries are summarized below:

(a.1) Volcan Compañía Minera S.A.A.

Based on the opinion of its external and internal legal advisors, the Company's Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$16,221, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2023 (US$14,402 as of December 31, 2022). The Company's Management and its legal advisors believe that this provision covers probable contingencies sufficiently.

In relation to possible contingencies, external and internal legal advisors of the Company determined an amount of US$37,181 (US$35,585 as of December 31, 2022), which corresponds to several proceedings addressed by the Company.

Civil and labor proceedings

As of December 31, 2023, certain civil and labor lawsuits have been filed against the Company for US$7,672 (US$6,759 as of December 31, 2022), which have been classified as probable. Contingencies classified as possible amount to US$14,654 (US$14,195 as of December 31, 2022) for compensations for occupational disease, refund of social benefits, payment of profit sharing, reinstatement of employees and others.

Tax proceedings

As of December 31, 2023, the Company has not yet resolved some administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and the Tax Court for certain tax determination resolutions, fine and interest resolutions, mainly corresponding to criteria differences in the determination of tax bases for the settlement of third-category income tax and municipal taxes tax of 2007, 2009, 2013, 2015 and 2017.

As of December 31, 2023 and 2022, other tax proceedings were classified as possible, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT) for not complying with the criteria of the Tax Administration to amortize the development expenses, among other related concepts. These possible contingencies amount to US$8,503 (US$8,763 as of December 31, 2022).

Sanctioning administrative proceedings and contentious-administrative actions

The Company has not yet resolved certain environmental, safety, occupational health and labor safety proceedings with the following regulatory entities: National Water Authority - Local Water Authorities, Employment and Work Promotion Ministry (National Superintendence of Labor Supervision), Ministry of Energy and Mines, Ministry of Production, Supervisory Entity of Investment in Energy and Mining (OSINERGMIN) and the Environmental Supervision and Evaluation Entity (OEFA) for alleged breach of several environmental standards and the provisions of the Safety and Occupational Health Regulations, at a level of probable contingencies for US$8,549 (US$7,643 as of December 31, 2022), and possible contingencies for US$14,024 as of December 31, 2023 (US$12,627 as of December 31, 2022).

Based on a legal and factual basis, the Company's Management and its legal advisors believe that no additional significant liabilities will arise for the Company from the final resolution of all these proceedings.

(a.2) Compañía Minera Chungar S.A.C. (Chungar)

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$9,077 as of December 31, 2023 (US$5,568 as of December 31, 2022). Management and its legal advisors believe that this provision covers probable contingencies sufficiently.

In relation to possible contingencies, external legal advisors determined an amount of US$38,944 as of December 31, 2023 (US$15,181 as of December 31, 2022), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of December 31, 2023, certain civil and labor lawsuits have been filed against Chungar for US$1,550 (US$645 as of December 31, 2022), which have been classified as probable. Contingencies classified as possible amount to US$15,726 (US$657 as of December 31, 2023) for payment of compensations for damages for occupational disease, refund of social benefits, and others under appeal and/or judgment process.

Tax proceedings

As of December 31, 2023, Chungar has not yet resolved some administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and the Tax Court for certain tax determination resolutions, fine and interest resolutions.

Tax determination resolutions, fine and interest resolutions mainly correspond to criteria differences in the determination of tax bases for the settlement of third-category income tax of 2004 and 2017, according to the National Superintendence of Tax Administration (SUNAT), to the omitted payment of taxes. To this date, these proceedings have been contested at an administrative level, have been appealed to the Tax Court, and have been contested at a legal level before the Judiciary.

Finally, there are other contingencies that have derived from concept discrepancies with the Tax Administration and have been classified as possible for US$17,459 as of December 31, 2023 (US$13,819 as of December 31, 2022).

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental, safety, occupational health and labor safety proceedings with the following regulatory entities: National Water Authority - Local Water Authorities, Employment and Work Promotion Ministry (National Superintendence of Labor Supervision), Ministry of Energy and Mines, Ministry of Production, OSINERGMIN and OEFA for alleged breach of several environmental standards and safety and occupational health regulations, at a level of probable contingencies for US$7,527 as of December 31, 2023 (US$4,923 as of December 31, 2022).

Contingencies classified as possible amount to US$5,759 (US$705 as of December 31, 2022).

(a.3) Empresa Administradora Cerro S.A.C.

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$6,208 as of December 31, 2023 (US$4,375 as of December 31, 2022). Management and its legal advisors believe that this provision covers probable contingencies sufficiently.

In relation to possible contingencies, external legal advisors determined an amount of US$7,056 (US$1,651 as of December 31, 2022), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of December 31, 2023, certain labor lawsuits have been filed against the Subsidiary for US$2,328 (US$2,295 as of December 31, 2022), which have been classified as probable. Civil and labor contingencies classified as possible amount to US$1,241 (US$1,617 as of December 31, 2022) for payment of compensations for damages for occupational disease, refund of social benefits, payment of production bonus, and others under appeal and/or judgment process.

Tax proceedings

As of December 31, 2023 and 2022, the Subsidiary has not yet resolved some administrative proceedings with the National Superintendence of Tax Administration (SUNAT), the Tax Court and local governments for certain tax determination resolutions, fine and interest resolutions.

Tax determination resolutions, fine and interest resolutions correspond to the omitted payment of taxes according to the National Superintendence of Tax Administration (SUNAT), as well as criteria differences in the determination of tax bases for the settlement of third-category income tax. To this date, these proceedings have been contested at an administrative level.

In addition, the Subsidiary has some tax administrative proceedings that were classified as probable contingencies and are presented in item “Provisions” of the consolidated statement of financial position for US$688 as of December 31, 2023 (US$669 as of December 31, 2022).

Contingencies classified as possible amount to US$85 (US$19 as of December 31, 2022).

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental, safety, occupational health and labor safety proceedings with the following regulatory entities: National Water Authority - Local Water Authorities, Employment and Work Promotion Ministry (National Superintendence of Labor Supervision), Ministry of Energy and Mines, Ministry of Production, OSINERGMIN and OEFA for alleged breach of several environmental standards and the provisions of the Safety and Occupational Health Regulations, at a level of probable contingencies for US$3,192 as of December 31, 2023 (US$1,411 as of December 31, 2022) and contingencies classified as possible for US$5,730 (US$15 as of December 31, 2022).

(a.4) Empresa Explotadora de Vinchos Ltda. S.A.C.

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$717 as of December 31, 2023 (US$536 as of December 31, 2022) and contingencies classified as possible for US$1,298 (US$2,294 as of December 31, 2022). Management and its legal advisors believe that this provision covers probable contingencies sufficiently.

Labor proceedings

As of December 31, 2023, certain labor lawsuits have been filed against the subsidiary for US$20 (US$8 as of December 31, 2022), which have been classified as probable.

Tax proceedings

As of December 31, 2023, some tax proceedings have been filed against the subsidiary, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT), classified as possible for US$1,298 (US$2,294 as of December 31, 2022).

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental proceedings with the following regulatory entities: National Water Authority - Local Water Authorities, Ministry of Energy and Mines, Ministry of Production, OSINERGMIN and OEFA for alleged breach of several environmental standards and the provisions of the Safety and Occupational Health Regulations, at a level of probable contingencies for US$696 as of December 31, 2023 (US$528 as of December 31, 2022).

(a.5) Hidroeléctrica Huanchor S.A.C.

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative, and other proceedings, and has determined and established a provision for probable contingencies for US$5 as of December 31, 2023. The subsidiary does not have any probable or possible contingencies as of December 31, 2022.

(a.6) Generación Eléctrica Rio Baños S.A.C.

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental proceedings with OEFA for alleged breach of several standards, at a level of probable contingencies for US$117 as of December 31, 2023 (US$17 as of December 31, 2022).

(b) Guarantees

The Company and Subsidiaries have letters of guarantee with financial entities, which expired in December 2023 and were renewed until October 2024, in favor of:

– General Mining Board of the Ministry of Energy and Mines that guarantees the compliance with the applicable Mine Closure Plans of the Company and Subsidiaries for US$114,845 (US$106,868 in 2022).

– National Superintendence of Tax Administration (SUNAT) for US$10,242 (equivalent to S/38,000) to guarantee debts and obligations held with the Tax Administration (US$3,414, equivalent to S/12,696, in 2022).

– Third parties that guarantee the compliance with payments for the provision of services and/or others for US$7,448 (comprised by S/24,906 and US$736) and US$6,889 (comprised by S/24,639 and US$426) in 2022.

33. ENVIRONMENTAL OBLIGATIONS

Provision for the closure of mining units

The Congress of the Republic of Peru issued Law No. 28090 on October 14, 2003. The purpose of this Law is to regulate the obligations and procedures to be followed by mining owners for the preparation, presentation, and implementation of Mine Closure Plans, as well as the constitution of pertinent environmental guarantees, which ensure the compliance with investments, according to environmental protection, preservation, and restoration principles. The Regulations of Law No. 28090 were published on August 16, 2005.

In 2023 and 2022, the Company and Subsidiaries submitted the updates of the Mine Closure Plan of their main mining units to the Ministry of Energy and Mines and are expecting to receive the pertinent approvals of certain mining units.

As of December 31, 2023, the Company and Subsidiaries recognized a liability of US$262,670 for all their mining units (US$270,714 as of December 31, 2022), in relation to their obligations for future closure:

	2023	2022
	US$000	US$000
Mining units		
Cerro de Pasco	34,758	35,386
Óxidos	-	2,637
Chungar	48,176	52,571
Carahuacra	68,884	76,604
Andaychagua	35,554	38,469
Alpamarca	33,859	22,576
Vinchos	20,492	21,469
Ticlio	10,676	11,238
Vichaycocha	4,301	3,400
Toruna	1,760	1,816
San Sebastian	4,210	4,548
Total (Note 18)	262,670	270,714

The movement of the provision for the closure of mining units and exploration projects is presented below:

	US$000
Balance as of January 1, 2022	207,693
Changes in estimates (Note 15)	63,576
Other expenses/income	4,765
Increase for update of present value of provision (Note 27)	3,092
Disbursements	(8,412)
Balance as of December 31, 2022	270,714
Changes in estimates (Note 15)	(6,986)
Other expenses/income	633
Increase for update of present value of provision (Note 27)	3,393
Disbursements	(5,084)
Balance as of December 31, 2023	262,670

The provision for the closure of mining units represents the present value of closure costs that are expected to be incurred between 2024 and 2052.

Changes in estimates consider the change in the rate, the modification of budgets and the deletion of contingent costs.

The estimate of costs for the closure of mining units is based on the study prepared by an independent advisor, which complies with current environmental regulations, as well as the quality requirements and standards shared by the parent. The provision for the closure of mining units mainly corresponds to activities that should be performed for the restoration of the mining unit and areas affected by mining activities. Main works to be performed are earthmoving works, revegetation works and disassembly of plants.

This estimate is highly sensitive to changes in different variables such as the discount rate and period. However, closure budgets are regularly reviewed to take into account any significant change in conducted studies.

In addition, the time when disbursements will be made will depend on Management's judgment and the useful life of the mine, which will be based on the reserves and resources of the mining units.

As of December 31, 2023, the nominal value of the provision for the closure of mining units is US$309,901, which has been determined using the annual discount rate of 1.85%, resulting in a net present value of US$262,670 (nominal value of US$297,552 as of December 31, 2022, using an annual discount rate of 1.25%, resulting in a net present value of US$270,714). The Company and Subsidiaries consider that this liability is sufficient to comply with environmental protection laws in force approved by the Ministry of Energy and Mines.

34. REMUNERATIONS PAID TO KEY PERSONNEL

The remuneration of the key personnel of the Company and Subsidiaries for the years ended December 31, 2023 and 2022 amounted to US$11,746 and US$8,991, respectively, and corresponds to salaries, profit sharing, benefits and social charges, bonuses and extraordinary allowances.

35. NON-MONETARY TRANSACTIONS AND STATEMENT OF CASH FLOWS

Transactions that have not resulted in cash flows were the following:

2023

- Adjustment of the present value of the provision for the closure of mining units for US$8,062.
- Adjustment of the present value of the liability with communities for US$2,773.
- Assets acquired under leases for US$1,240.
- Acquisition of property, plant, and equipment, which have not been paid yet, for US$28,283.
- Acquisition of mining concessions, development costs and other intangibles, which have not been paid yet, for US$18,215.
- Acquisition of exploration costs, which have not been paid yet, for US$3,492.

2022

- Adjustment of the present value of the provision for the closure of mining units for US$68,242.
- Adjustment of the present value of the liability with communities for US$311.
- Assets acquired under leases for US$31,894.
- Acquisition of property, plant, and equipment, which have not been paid yet, for US$41,179.
- Acquisition of mining concessions, development costs and other intangibles, which have not been paid yet, for US$26,881.
- Acquisition of exploration costs, which have not been paid yet, for US$4,852.

36. LEASES

The Company as lessee

Leases are related to leases of minor machinery and equipment for up to 3 years. The Company and Subsidiaries do not have operating lease agreements that contain clauses for the review of market rentals. The Company and Subsidiaries do not have the option to buy leased assets at the expiry date of lease terms.

Amounts recognized for this concept were US$42,834 and US$47,215 in 2023 and 2022, respectively. The commitments for leases are shown below according to their expiry date:

	2023	2022
	US$000	US$000
1 year or less	20,390	21,645
More than 1 to 3 years	7,244	13,078
	27,633	34,723

The carrying amount of right-of-use assets and liabilities recognized and the movements generated in the year are presented in Note 14 and Note 16, respectively.

37. SUBSEQUENT EVENTS

We are not aware of any subsequent event that has occurred between the closing date and authorization date of these consolidated financial statements, which may significantly affect them.