VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

Independent Auditors' Report

Consolidated Financial Statements
For the Years Ended
December 31, 2024 and 2023

(Free translation of a report originally issued in Spanish)

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

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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, 2024, 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, 2024, 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' International Code of Ethics for Professional Accountants, approved by the Peruvian Professional Associations of Certified Public Accountants (IESBA Code-Peru), 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-Peru. 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-lived assets

Description of the key audit matter

As indicated in Notes 13, 14 and 15 to the consolidated financial statements, as of December 31, 2024, the Company and Subsidiaries have long-lived assets for a net depreciation and impairment value of US$1,355 million. In this regard, in 2024, the Group recorded a recovery of

US$92 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 2023.

- We tested the design and implementation and the operating effectiveness 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 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, net production value, recovery percentage and concentration levels, 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. 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$181 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 or 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 discount rate used in the calculation, as revised by our valuation specialists, 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, Mazuelos y Asociados S. Civil. de R. L.

Countersigned by:

___________________________ (Partner)
Marco Roca Peña
CPC Registration No. 33204

February 21, 2025

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024 AND 2023
(In thousands of U.S. dollars (US$000))

	Notes	2024 US$000	2023 US$000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	155,834	61,642
Trade accounts receivable (net)	9	33,477	20,316
Other accounts receivable (net)	10	67,424	77,038
Inventories (net)	12	38,070	48,305
Other financial assets	11	948	655
Total current assets		295,753	207,956
NON-CURRENT ASSETS:			
Other accounts receivable (net)	10	31,834	35,970
Investment in associates	7	-	148,118
Financial investments	8	153,047	37,158
Inventories (net)	12	5,180	5,619
Property, plant and equipment (net)	13	683,121	771,778
Right-of-use assets (net)	14	15,663	17,926
Mining concessions, explorations and development costs and other assets (net)	15	656,228	650,650
Total non-current assets		1,545,073	1,667,219
TOTAL		1,840,826	1,875,175

	Notes	2024 US$000	2023 US$000
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Bank overdrafts		-	1,046
Financial obligations	16	40,701	136,326
Trade accounts payable	17	189,711	242,213
Other accounts payable	18	89,891	60,495
Deferred income		21	21
Total current liabilities		320,324	440,101
NON-CURRENT LIABILITIES:			
Financial obligations	16	709,060	667,543
Provisions	19	237,658	323,474
Deferred income tax	28 (a)	123,509	78,857
Deferred income		577	602
Total non-current liabilities		1,070,804	1,070,476
Total liabilities		1,391,128	1,510,577
EQUITY:			
Issued capital stock	20 (a)	774,294	906,680
Higher value in acquisition of treasury shares	20 (b)	(162,285)	(173,234)
Treasury shares	20 (c)	(41,511)	(60,934)
Legal reserve	20 (d)	10,492	10,416
Accumulated other comprehensive income	20 (e)	49,406	(10,208)
Accumulated losses		(180,698)	(308,122)
Total equity		449,698	364,598
TOTAL		1,840,826	1,875,175

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, 2024 AND 2023
(In thousands of U.S. dollars (US$000))

	Notes	2024	2023
		US$000	US$000
Net sales	21	960,521	883,086
Cost of sales	22	(699,588)	(725,507)
Gross profit		260,933	157,579
Administrative expenses	23	(62,875)	(55,157)
Selling expenses	24	(29,081)	(30,563)
Other income	25	145,115	63,429
Other expenses	25	(115,282)	(78,507)
Recovery (loss) for impairment of long-lived assets	26	91,700	(36,200)
Operating profit		290,510	20,581
Financial income	27	4,888	5,793
Financial expenses	27	(79,206)	(70,526)
Profit (loss) before income tax		216,192	(44,152)
Income tax	28	(79,059)	34,169
Net profit (loss) for the year		137,133	(9,983)
Weighted average of the number of outstanding shares (in thousands)	29	3,857,594	3,857,594
Basic and diluted earnings (loss) per share	29	0.036	(0.003)

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, 2024 AND 2023
(In thousands of U.S. dollars (US$000))

	2024	2023
	US$000	US$000
Net profit (loss) for the year	137,133	(9,983)
OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss:		
Unrealized profit (loss) of investments in equity instruments	83,785	(1,269)
Deferred income tax	(24,717)	374
	59,068	(895)
Items that can be subsequently reclassified to profit or loss:		
Unrealized profit of derivative financial instruments	774	173
Deferred income tax	(228)	(51)
Total other comprehensive income that can be subsequently reclassified to profit or loss	546	122
Total comprehensive income, net of income tax	196,747	(10,755)

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, 2024 AND 2023
(In thousands of U.S. dollars (US$000))

	Issued capital stock	Higher value in acquisition of treasury shares	Treasury shares	Legal reserve	Accumulated other comprehensive income	Accumulated losses	Total equity
	US$000 Note 20 (a)	US$000 Note 20 (b)	US$000 Note 20 (c)	US$000 Note 20 (d)	US$000 Note 20 (e)	US$000	US$000
Balance as of January 1, 2023	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
Comprehensive income							
Net profit for the year	-	-	-	-	-	137,133	137,133
Other comprehensive income for the year	-	-	-	-	59,614	-	59,614
Total comprehensive income for the year	-	-	-	-	59,614	137,133	196,747
Capital decrease	(132,386)	-	-	-	-	-	(132,386)
Legal reserve	-	-	-	76	-	(76)	-
Other changes in equity	-	10,949	19,423	-	-	(9,633)	20,739
Balance as of December 31, 2024	774,294	(162,285)	(41,511)	10,492	49,406	(180,698)	449,698

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, 2024 AND 2023
(In thousands of U.S. dollars (US$000))

	2024	2023
	US$000	US$000
OPERATING ACTIVITIES:		
Collection from:		
Sales	1,061,959	1,039,336
Return of credit balance subject to profit and taxes	43,692	27,723
Payments to/for:		
Suppliers and others	(683,790)	(669,275)
Employees	(107,346)	(119,659)
Income tax	(2,774)	(18,322)
Royalties	(13,276)	(11,411)
Net cash and cash equivalents provided by operating activities	298,465	248,392
INVESTING ACTIVITIES:		
Payments for:		
Purchase of property, plant and equipment	(73,027)	(85,548)
Increase of exploration and development costs, and other assets	(74,857)	(94,382)
Net cash and cash equivalents used in investing activities	(147,884)	(179,930)
FINANCING ACTIVITIES:		
Collection from:		
Sale of shares of energy company	74,148	-
Obtainment of loans with third parties	55,000	-
Payments for:		
Financial obligations	(124,080)	(25,389)
Overdrafts and other financial liabilities	(1,046)	(848)
Interests	(60,411)	(54,183)
Net cash and cash equivalents used in financing activities	(56,389)	(80,420)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,192	(11,958)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	61,642	73,600
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	155,834	61,642

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 Transition Metals AG, which is a subsidiary of Integral Capital Business S.A., a company domiciled in Panama, owner of 63% of common class A voting shares and an economic interest of 23%, excluding treasury shares.

On May 8, 2024, Glencore AG (previous controlling shareholder of the Company), which is a subsidiary of Glencore PLC., performed an over-the-counter transfer of its shares in favor of Transition Metals AG.

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 Subsidiary Tingo engaged in the electric power generation business has authorizations and electric power generation concessions for self-consumption in its mining operations of Animon.

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, 2024 have been approved by the Company's Management on February 17, 2025 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, 2023 were approved by the Annual Mandatory Shareholders' Meeting held on March 26, 2024.

(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 2024	2023	Domicile
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Peru
Empresa Administradora Cerro S.A.C.	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
Electric power generation:			
Hidroeléctrica Huanchor S.A. (3)	-	100.00	Peru
Empresa de Generación Eléctrica Río Baños S.A.C. (4)	-	100.00	Peru
Compañía Hidroeléctrica Tingo S.A. (2)	100.00	100.00	Peru
Investments in general:			
Empresa Minera Paragsha S.A.C.	100.00	100.00	Peru
Roquel Global S.A.C.	100.00	100.00	Peru
Compañía Industrial Limitada de Huacho S.A.	96.41	96.41	Peru
Inversiones Portuarias Chancay S.A.A. (5)	-	100.00	Peru

(1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
(2) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
(3) Subsidiary Hidroeléctrica Huanchor S.A. was sold on October 11, 2024.
(4) Subsidiary Empresa de Generación Eléctrica Río Baños S.A.C. was sold on May 31, 2024.
(5) The shares of Inversiones Portuarias Chancay S.A.A. were distributed to the same shareholders of the Company as part of the split-off agreement.

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, located in the province of Pasco, department of Cerro de Pasco, and Alpamarca, located in the province of Yauli, Department of Junin. It is engaged in the exploration, development, and operation of mineral deposits, basically with zinc, copper, and lead contents. This company has 244 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 32. Based on the estimate of reserves and resources, the Company's Management has considered a useful life of the mine until 2046.

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.

Empresa Administradora Cerro S.A.C.

This company is located in the province of Pasco, department of Cerro de Pasco, and 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 10 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 32.

Based on the estimate of reserves and resources, the Company's Management has considered a useful life of the mine until 2030.

In addition, as a result of the merger with Oxidos 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 the mine until 2035.

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

This company, located in the province of Daniel Alcides Carrion, department of Cerro de Pasco, 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 2024 and 2023.

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 29 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 32.

Minera Aurífera Toruna S.A.C.

The concessions of this company are located in the district of Ulcumayo and Paucartambo, departments of Junin and Cerro de Pasco, respectively. 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 2024 and 2023.

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 32.

(c.2) Electric power generation

Hidroeléctrica Huanchor S.A.C.

This company was mainly engaged in the sale of energy through the operation and maintenance of electric transmission system generation plants. For this, this company had 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 had a definite electrical concession.

On June 14, 2024, the Company entered into a definite agreement for the sale of Huanchor with EDF PERÚ S.A.C., AC Capitales Infrastructure II L.P., AC Capitales Fondo Infraestructura II, and AC Capitales Fondo Infraestructura II GP.

Hidroeléctrica Huanchor S.A.C. was sold on October 11, 2024 for US$49,469.

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

This company was 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 had a definite electrical concession.

On May 31, 2024, the Company sold this Subsidiary to Sindicato Energético S.A. for US$31,675.

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, which are located in the province of Huaral, department of Lima. 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. The subsidiary is located in the district of Surco, Lima.

Compañía Industrial Limitada de Huacho S.A.

This company is mainly engaged in real estate activities. Its main properties are located in the district of Jesus Maria, province of Lima.

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, from which there are 30 concessions with an indefinite term. It is located in the district of Surco, Lima.

(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 (total assets less than US$50) for the consolidated financial statements that could affect the economic decisions of users.

(c.5) Financial information of Subsidiaries

The financial statements of consolidated direct and indirect Subsidiaries (unaudited) as of December 31, 2024 are summarized below:

	Assets	Liabilities	Equity	Net profit (loss)
	US$000	US$000	US$000	US$000
Compañía Minera Chungar S.A.C.	636,092	494,388	141,704	(37,613)
Empresa Administradora Cerro S.A.C.	428,646	179,278	249,368	40,106
Empresa Explotadora de Vinchos Ltda. S.A.C.	1,040	11,166	(10,126)	14,624
Minera Aurífera Toruna S.A.C. (1)	3	4,087	(4,084)	(135)
Compañía Hidroeléctrica Tingo S.A. (2)	21,848	3,248	18,600	234
Empresa Minera Paragsha S.A.C.	178,880	81,336	97,544	(9,537)
Roquel Global S.A.C.	18,734	3,679	15,055	(800)
Compañía Industrial Limitada de Huacho S.A.	7,378	307	7,071	399
Unconsolidated entities	34	-	34	-
	1,292,655	777,489	515,166	7,278

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 Administradora Cerro S.A.C.	397,503	188,242	209,261	99,943
Empresa Explotadora de Vinchos Ltda. S.A.C.	157	24,906	(24,749)	(1,241)
Minera Aurífera Toruna S.A.C. (1)	12	3,961	(3,949)	(403)
Hidroeléctrica Huanchor S.A.C. (3)	50,162	32,124	18,038	(9,266)
Empresa de Generación Eléctrica Río Baños S.A.C. (4)	46,366	14,728	31,638	13,782
Compañía Hidroeléctrica Tingo S.A. (2)	20,592	2,225	18,367	999
Empresa Minera Paragsha S.A.C.	147,116	106,254	40,862	(10,883)
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
Unconsolidated entities	34	-	34	-
	1,435,071	953,184	481,887	43,776

(1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
(2) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
(3) Subsidiary sold on October 11, 2024.
(4) Subsidiary sold on May 31, 2024.

(d) Financial investment in related entity

Inversiones Portuarias Chancay S.A.A.

This company was registered at 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 of a block of equity comprised by 40% of shares in Cosco Shipping Ports Chancay Peru S.A., owned by the Company.

On October 25, 2023, the shareholders of Volcan Compañía Minera S.A.A. and Inversiones Portuarias Chancay S.A.A. approved the split-off of a block of equity comprised by 40% of shares in Cosco Shipping Ports Chancay Perú S.A., owned by Volcan Compañía Minera S.A.A, which was transferred to Inversiones Portuarias Chancay S.A.A.

The effective date of the split-off was March 4, 2024, and the net carrying amount of the block of equity amounts to S/443,328 (equivalent to US$132,386), comprised by capital for S/407,656 and additional capital for S/35,672.

As a result of the split-off of the block of equity, the Board of Directors agreed to modify its articles of incorporation to be written as follows: The subscribed and paid capital of Inversiones Portuarias Chancay S.A.A. is S/407,656, represented by 1,633,414,553 common class “A” shares and 2,443,157,622 common class “B” shares with a face value of S/0.10 per share.

Pursuant to the split-off agreement, the Company’s shareholders are also shareholders of Inversiones Portuarias Chancay S.A.A.; therefore, it is not a subsidiary, but a related entity.

The Company has investments in Inversiones Portuarias Chancay S.A.A. through its Subsidiaries for US$124,449, which are measured at fair value through other comprehensive income (Note 8).

(e) Merger

The Shareholders’ Meeting of Empresa Administradora Cerro S.A.C. approved the merger by absorption to Oxidos 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.

(f) Other contractual matters

(f.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.

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 in 2025.

(f.2) Bond issuance

"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(a).

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.

"8.75% Senior Notes Due 2030"

On September 10, 2024, the Company made a private exchange offering of the instruments issued by Volcan Compañía Minera S.A.A. denominated "4.375% Senior Notes due 2026" ("Existing Notes") addressed to the holders of the Existing Notes, for new notes denominated "8.750% Senior secured notes due 2030" ("New Notes"), maturing in January 2030. These notes accrue interests at an annual rate of 8.750% to be paid through semi-annual installments.

The Company received valid offers and consents from registered holders of the Existing Notes for US$297,014, representing approximately 81.37% of its outstanding principal amount. The Company accepted the full amount of the offerings described above, plus a 1% commission, which amounted to US$299,872 of New Notes issued in consideration for the Existing Notes that made such offerings, and entered into a second addendum to the existing Indenture.

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

(f.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, 2024 and 2023, 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), except certain subsidiaries that are undergoing a liquidation process and are not relevant (Note 1 (c.4)). 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.

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 Group becomes 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.

Despite the foregoing, the Company may make the following irrevocable designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Company may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income criteria if doing so eliminates or significantly reduces an accounting mismatch.

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.

Equity instruments designated as at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with profit and losses arising from changes in fair value recognized in other comprehensive income accumulated. The cumulative profit or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

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, for which the general model was used. 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.

Financial liabilities measured subsequently at amortized cost

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Company and Subsidiaries 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, 2024, 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.

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

<u>Units-of-production method</u>

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.

<u>Straight-line method</u>

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

Evaluation and 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.

Evaluation and 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, and a percentage of inferred resources 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-lived 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.

Current and deferred income tax for the year

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

(u) Contingent assets and liabilities

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

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

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

(v) Basic and diluted earnings (loss) per share

Basic earnings (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 earnings (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.

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:

- Fair value of financial instruments (Note 2(e)).
- 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 contingencies.
- Temporary liquidation in revenue recognition (Note 2(p)).
- Taxes and 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.

<u>Determination of reserves and mineral resources</u>

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.

Liability 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.

For the 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)

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.

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, 2024, which did not affect the records and disclosures of the Company and Subsidiaries:

- *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.

- *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.

- *Amendments 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 Revenue from Contracts with Customers 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.

- *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.

(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 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 will have on the Company and Subsidiaries.

- *IFRS 18 Presentation and Disclosures in Financial Statements*

  IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings Per Share.

  IFRS 18 introduces new requirements to:

  - present specified categories and defined subtotals in the statement of profit or loss.
  - provide disclosures on management-defined performance measures in the notes to the financial statements.
  - improve aggregation and disaggregation.

The Company is required to apply IFRS 18 for annual reporting periods beginning on January 1, 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

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

- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent);
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or;
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds, and investment banks often meet this second criterion).

The Company can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

This new standard is effective for reporting periods beginning on January 1, 2027, with earlier application permitted. If the Company elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

Management considers that this standard is not applicable to the Company and Subsidiaries since they do not perform this type of operations.

- *Amendments to IFRS 9 Classification and Measurement of Financial Instruments.* Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

  Derecognition of a financial liability settled through electronic transfer:

  The amendments to the application guidance of IFRS 9 permit an entity to consider a financial liability (or part of it) that will be settled in cash using an electronic payment system as discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

  Classification of financial assets:

  - Contractual terms that are consistent with a basic lending arrangement: The amendments to the application guidance of IFRS 9 provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that have, or do not have, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

  - Assets with non-recourse features: The amendments enhance the description of the term ‘non-recourse’. Under the amendments, a financial asset is considered to have non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

  - Contractually linked instruments: The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions involving multiple contractually linked instruments and provide an example. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

  Disclosures:

  - Investments in equity instruments designated at fair value through other comprehensive income: The requirements in IFRS 7 are amended for disclosures that an entity provides in respect of these investments. In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.

  - Contractual terms that could change the timing or amount of contractual cash flows: The amendments require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or fair value through other comprehensive income and each class of financial liability measured at amortized cost.

- *Annual Improvements to IFRS Standards.* Effective for annual periods beginning on or after January 1, 2026, with early application permitted.

  The Annual Improvements include amendments to five standards.

  IFRS 1 First-time Adoption of International Financial Reporting Standards

  Hedge accounting by a first-time adopter. The amendment addresses a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments.

  IFRS 7 Financial Instruments: Disclosures

  - Gain or loss on derecognition. The amendment addresses a potential confusion in paragraph B38 of IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.

  - Disclosure of deferred difference between fair value and transaction price. The amendment addresses an inconsistency between paragraph 28 of IFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of IFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance.

  - Introduction and credit risk disclosures. The amendment addresses a potential confusion by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 and by simplifying some explanations.

  IFRS 9 Financial Instruments

  - Lessee derecognition of lease liabilities. The amendment addresses a potential lack of clarity in the application of the requirements in IFRS 9 to account for an extinguishment of a lessee's lease liability that arises because paragraph 2.1(b)(ii) of IFRS 9 includes a cross-reference to paragraph 3.3.1, but not also to paragraph 3.3.3 of IFRS 9.

  - Transaction price. The amendment addresses a potential confusion arising from a reference in Appendix A to IFRS 9 to the definition of 'transaction price' in IFRS 15 Revenue from Contracts with Customers while term 'transaction price' is used in particular paragraphs of IFRS 9 with a meaning that is not necessarily consistent with the definition of that term in IFRS 15.

  IFRS 10 Consolidated Financial Statements

  Determination of a 'de facto agent'. The amendment addresses a potential confusion arising from an inconsistency between paragraphs B73 and B74 of IFRS 10 related to an investor determining whether another party is acting on its behalf by aligning the language in both paragraphs.

IAS 7 Statement of Cash Flows

Cost method. The amendment addresses a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term 'cost method' that is no longer defined in IFRS Accounting Standards.

- *Amendments to IFRS 9 Financial Instruments.* Effective for annual periods beginning on or after January 1, 2026, with early application permitted.

  - The own-use requirements in IFRS 9 are amended to include the factors an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and

  - The hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:

    To designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

  Management is evaluating the potential impact that these amendments will 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:

	2024	2023
	US$000	US$000
Financial assets:		
Cash and cash equivalents	155,834	61,642
Amortized cost		
Other accounts receivable (net)	12,342	5,591
Fair value through profit or loss		
Trade accounts receivable (net)	33,477	20,316
Derivatives not designated as hedging instruments	-	440
Derivatives designated as hedging instruments	-	42
	33,477	20,798
Fair value through other comprehensive income		
Financial investments	153,047	37,158
Derivatives designated as hedging instruments	948	173
	153,995	37,331
Total	355,648	125,362
Financial liabilities:		
Amortized cost		
Bank overdrafts	-	1,046
Financial obligations	749,761	803,869
Trade accounts payable	189,711	242,213
Other accounts payable	17,408	17,098
Total	956,880	1,064,226

(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, 2024 and 2023, 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 buying and selling exchange rates published by the Superintendence of Banking, Insurance and AFP (SBS, for its acronym in Spanish), effective at those dates, which were US$0.266 and US$0.265 per S/1.00, respectively (US$0.270 and US$0.269 per S/1.00, respectively, as of December 31, 2023), and are summarized below:

	2024	2023
	S/000	S/000
Assets		
Cash and cash equivalents	194,403	114,622
Trade accounts receivable (net)	-	3,088
Other accounts receivable (net)	127,690	136,271
Total assets	322,093	253,981
Liabilities		
Bank overdrafts	-	(422)
Trade accounts payable	(120,572)	(141,198)
Other accounts payable	(65,317)	(42,673)
Total liabilities	(185,887)	(184,293)
Net asset	136,204	69,688

In 2024, the Company and Subsidiaries recorded a net exchange profit for US$36,876 and net exchange loss for US$36,306 (net exchange profit for US$201,059 and net exchange loss for US$200,108 in 2023) (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 at the aforementioned rate, 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 rates	Effect on profit or loss before taxes (Debit) Credit 2024	2023
		US$000	US$000
Revaluation	+5%	(1,806)	(939)
Devaluation	-5%	1,806	939

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, 2024 and 2023, 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	
2024:	
Increase in the international price of zinc	50,220
Decrease in the international price of zinc	(50,220)
2023:	
Increase in the international price of zinc	43,842
Decrease in the international price of zinc	(43,842)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Lead concentrate	
2024:	
Increase in the international price of lead	21,384
Decrease in the international price of lead	(21,384)
2023:	
Increase in the international price of lead	22,864
Decrease in the international price of lead	(22,864)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Copper concentrate	
2024:	
Increase in the international price of copper	7,130
Decrease in the international price of copper	(7,130)
2023:	
Increase in the international price of copper	6,064
Decrease in the international price of copper	(6,064)

	Effect on profit (loss) before income tax (Debit) Credit
	US$000
Silver concentrate	
2024:	
Increase in the international price of silver	7,791
Decrease in the international price of silver	(7,791)
2023:	
Increase in the international price of silver	6,857
Decrease in the international price of silver	(6,857)

As of December 31, 2024 and 2023, the fair value of embedded derivatives contained in commercial agreements amounts to a loss of US$3,402 and a profit of US$1,071, 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, 2024 and 2023, the Company has a portfolio of 24 customers. The three most important customers of the Company and Subsidiaries represented 52% of total sales (46% of total sales in 2023).

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, 2024 and 2023, the Company and Subsidiaries present a negative working capital for US$24,571 and US$232,145, respectively.

The decrease in negative working capital is mainly due to the refinancing of the syndicated loan. As of December 31, 2023, the balance of the short-term debt was US$102,857. As a result of this negotiation, as of December 31, 2024, US$10,000 is presented as a short-term balance and the remaining balance was reclassified to long-term liabilities.

The Company generates cash flow, net, from significant operating activities (US$298,465 in 2024 and US$248,392 in 2023). Management believes that these flows will allow the Company and Subsidiaries to adequately manage their short-term financial obligations.

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	Between 1 and 2 years	Between 2 and 10 years	Total
	US$000	US$000	US$000	US$000
As of December 31, 2024:				
Cash and cash equivalents	155,834	-	-	155,834
Other accounts receivable (net)	12,342	-	-	12,342
Trade accounts receivable (net)	33,477	-	-	33,477
Derivatives designated as hedging instruments	948	-	-	948
Financial investments	-	-	153,047	153,047
Total	202,061	-	153,047	355,648
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
	88,204	-	37,158	125,362

Financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 10 years	Total
	US$000	US$000	US$000	US$000
As of December 31, 2024:				
Financial obligations	107,786	233,833	685,164	1,026,783
Trade accounts payable	189,711	-	-	189,711
Other accounts payable	17,408	-	-	17,408
Total	314,905	233,833	685,164	1,233,902
As of December 31, 2023:				
Bank overdrafts	1,046	-	-	1,046
Financial obligations	160,941	202,799	685,164	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

(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 2024 and 2023.

The leverage ratio was as follows:

	2024	2023
	US$000	US$000
Financial obligations	749,761	803,869
Cash and cash equivalents	(155,834)	(61,642)
Total net debt	593,927	742,227
Total equity	449,698	364,598
Net debt ratio	1.32	2.04

(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$352,033 as of December 31, 2024 (US$223,690 as of December 31, 2023).

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, 2024 and 2023, 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:

	2024	2023
	US$000	US$000
Financial assets		
Level 1		
Investments in equity instruments (a)	153,047	37,158
Level 2		
Trade accounts receivable (b)	33,477	20,316
Derivatives not designated as hedging instruments	-	440
Derivatives designated as hedging instruments	948	215
	34,425	20,971

(a) Financial investments (Note 8) correspond to the investment in Cementos Polpaico S.A., which is listed on the Chile Stock Exchange, and Inversiones Portuarias Chancay S.A.A., which is listed on the Peru Stock Exchange; for this reason, they have 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:

	2024	2023
	US$000	US$000
Petty cash and cash in banks (a) (b)	125,240	60,072
Deposit (c)	15,000	-
Cash in transit	3,722	-
Restricted cash (d)	11,872	1,570
	155,834	61,642

(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(f.3) and 16), which are also freely available.

(b) The Company and Subsidiaries present amounts for US$40,628 and US$19,775 as of December 31, 2024 and 2023, respectively, as part of petty cash and cash in banks, which correspond to cash deposited in Banco de la Nación for the payment of taxes.

(c) The deposit held as of December 31, 2024 matures in 90 days and accrues interests at a market rate.

(d) This item corresponds to amounts withheld by the Tax Administration.

7. INVESTMENT IN ASSOCIATE

The investment in associate comprises the following:

Company	Class	Number of shares	Interest in net equity As of December 31, 2024		Face value		Carrying amount As of December 31, 2024	
			2024	2023			2024	2023
			%	%			US$000	US$000
Cosco Shipping Ports Chancay Perú S.A.	Common	410,653,252	-	40	1	Sol	-	148,118

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.

As of December 31, 2023, this investment in associate was measured using the equity method.

The split-off of the equity block comprised by 40% of Volcan's shares in Cosco Shipping Ports Chancay Perú S.A. was approved at Volcan's Shareholders' Meeting, on August 24, 2023. The incorporation of Inversiones Portuarias Chancay S.A.A., the company receiving the split-off block of equity, was registered in the Lima Registry Office of the Superintendence of Public Registries on October 3, 2023. The effective date of the split-off was March 4, 2024.

8. FINANCIAL INVESTMENTS

Financial investments comprise the following:

Company	Class	Number of shares	Interest in net equity As of December 31,		Market value		Carrying amount As of December 31,	
			2024	2023			2024	2023
			%	%			US$000	US$000
Financial investments at fair value:								
Cemento Polpaico S.A.	Common	4,056,643	15.90	15.90	7,000	Chilean pesos	28,593	37,153
Inversiones Portuarias Chancay	Common - Class A	206,743,063	12.66	-	2.25	Soles	123,782	-
Inversiones Portuarias Chancay	Common - Class B	12,234,901	0.50	-	0.21	Soles	667	-
Other investments:								
Other companies	Common	-	-	-	-		5	5
							153,047	37,158

Cementos Polpaico S.A. is engaged in the production and commercialization of cement and lime. As of December 31, 2024, the quotation amounted to 7,000 Chilean pesos per share, equivalent to US$7.048 (8,040 Chilean pesos per share, equivalent to US$9.159 as of December 31, 2023). Those shares are listed on the Chile Stock Exchange.

The fair value of this investment has generated an unrealized loss for US$8,561 (US$1,269 in 2023) and deferred tax income for US$2,525 (US$374 in 2023).

Inversiones Portuarias Chancay S.A.A. was incorporated to acquire, develop, and negotiate interests or patrimonial rights in companies engaged in port and logistics activities of any kind, as well as related services.

As of December 31, 2024, through its Subsidiaries, the Company has 206,743,063 Class A shares, whose price amounts to S/2.25 per share (equivalent to US$0.60 per share) and 12,234,901 Class B shares, with a market price of S/0.21 per share (equivalent to US$0.05 per share).

The fair value of this investment has generated an unrealized profit for US$92,346 and deferred tax income for US$27,242.

9. TRADE ACCOUNTS RECEIVABLE (NET)

Trade accounts receivable (net) comprise the following:

	2024	2023
	US$000	US$000
From third parties		
Invoices	56,371	32,360
Impairment estimate for accounts receivable	(19,492)	(23,831)
Embedded derivatives	(3,402)	1,065
	33,477	9,594

	2024	2023
	US$000	US$000
From related entities		
Invoices	-	10,716
Embedded derivatives	-	6
	-	10,722
Total	33,477	20,316

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.

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.

	2024	2023
	US$000	US$000
Opening balance	23,831	19,539
Additions	398	4,552
Recovery	(185)	(217)
Write-off	(4,552)	(43)
Closing balance	19,492	23,831

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:

	2024	2023
	US$000	US$000
Tax credit for value-added tax (a)	41,897	58,173
Recoverable taxes	32,134	35,284
Advances granted to contractors and suppliers	11,652	1,689
Credit balance for income tax and temporary tax on net assets (b)	9,496	16,544
Public works for taxes, in process (d)	4,313	4,282
Prepaid expenses	3,968	3,818
Loans granted to employees	239	431
Other minor items	483	2,904
	104,182	123,125
Impairment estimate for other accounts receivable (e)	(17,266)	(15,708)
Subtotal	86,916	107,417
Amortized cost:		
Accounts receivable from contractors and others	13,298	13,262
Loans granted to third parties (c)	10,366	10,511
Escrow account – sale of companies (Note 25 (a))	5,973	-
Other minor items	1,810	1,244
	31,447	25,017
Impairment estimate for other accounts receivable (e)	(19,105)	(19,426)
Subtotal	12,342	5,591
Total	99,258	113,008
Non-current portion	31,834	35,970
Current portion	67,424	77,038

(a) As of December 31, 2024, this item includes an amount of US$17,266 (US$15,708 as of December 31, 2023), 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, 2024, this item corresponds to the balance for payments on account of income tax for US$3,017 and payments for the temporary tax on net assets for US$6,479, which will be requested as from 2025 (as of December 31, 2023, this item corresponded to the balance for payments on account of income tax for US$11,879 and payments for the temporary tax on net assets for US$4,665, 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$10,069 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 2024, the Company completed 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$3,288 has been recovered through the "CIPRL". The recovery of the invested balance amounting to US$1,487 will be arranged in 2025.

(e) As of December 31, 2024, this item mainly corresponds to the impairment provision for tax credit for value-added tax for US$17,266 and loans receivable for US$10,069. As of December 31, 2023, this item mainly corresponded to the impairment provision for tax credit for value-added tax for US$15,708, loans receivable for US$10,076, 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 LIABILITIES

Other financial liabilities comprise the following:

	2024	2023
	US$000	US$000
Derivative financial instruments:		
Derivatives not designated as hedging instruments (a)	-	440
Derivatives designated as hedging instruments (b)	948	215
	948	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, Citibank NY and Macquarie.

12. INVENTORIES (NET)

Inventories (net) comprise the following:

	2024 US$000	2023 US$000
Concentrates (a)	8,909	8,052
Mineral (a)	5,416	11,956
Pyrite stockpiles	5,180	5,619
Sundry supplies	32,297	37,805
Inventories in transit	482	271
	52,284	63,703
Impairment estimate (b)	(9,034)	(9,779)
Total	43,250	53,924
Non-current portion	5,180	5,619
Current portion	38,070	48,305

(a) According to the sales commitments, the concentrate held as of December 31, 2024 will be sold, and the mineral will be exploited in 2025.

(b) The impairment estimate comprises the following:

	2024 US$000	2023 US$000
Opening balance	9,779	17,779
Destruction of supplies	-	(8,305)
Additions (Note 25)	599	1,099
Recovery (Note 25)	(947)	(794)
Sale of companies IFRS 5	(397)	-
Closing balance	9,034	9,779

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, 2024	Additions	Sales and/or disposals	Transfers	Disposal of subsidiaries	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000	US$000
Cost of:						
Land	23,573	-	-	-	(467)	23,106
Buildings and other constructions	1,200,955	569	-	42,247	(68,463)	1,175,308
Environmental management program infrastructure	680	-	-	-	-	680
Machinery and equipment	187,986	3,236	(973)	-	(12,169)	178,080
Vehicles	3,320	-	(404)	-	-	2,916
Furniture and fixtures and computer equipment	8,937	40	-	7	(57)	8,927
Sundry equipment	430,633	10,285	(317)	5,036	(841)	444,796
Units in transit	3,244	222	-	(2,901)	-	565
Works in progress (a)	86,629	56,400	(286)	(41,330)	(110)	101,303
	1,945,957	70,752	(1,980)	3,059	(82,107)	1,935,681
Accumulated depreciation of:						
Buildings and other constructions	686,093	76,564	-	-	(21,285)	741,372
Environmental management program infrastructure	680	-	-	-	-	680
Machinery and equipment	147,157	13,170	(919)	-	(10,207)	149,201
Vehicles	2,811	152	(377)	-	-	2,586
Furniture and fixtures and computer equipment	7,108	421		-	(51)	7,478
Sundry equipment	330,330	21,528	(108)	-	(507)	351,243
	1,174,179	111,835	(1,404)	-	(32,050)	1,252,560
Net value	771,778					683,121

	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

(a) As of December 31, 2024, the projects that are part of item works in progress mainly belong to Volcan Compañía Minera S.A.A. for US$52,662 and Subsidiary Compañía Minera Chungar S.A.C. for US$31,209 (US$46,142 and US$31,848 as of December 31, 2023, respectively), as detailed below:

Volcan Compañía Minera S.A.A.

	2024	2023
	US$000	US$000
Growth of tailings facility Rumichaca Level 4233	29,981	9,323
Growth of tailings facility Rumichaca Level 4250	3,788	1,925
Tailings facility - filter Gavilán - Carahuacra	2,441	2,441
Growth of tailings facility Andaychagua Alto Level 4415	2,006	-
Industrial wastewater treatment plant	965	965
Maintenance workshop Level 1320	542	542
Engineering – growth of tailings facility Andaychagua Alta Level 4420	818	343
Installation of electrical works – advance	498	-
Construction of electrical substations	479	-
Engineering MEIA – Growth of tailing facility Andaychagua	474	-
Construction of substation 3 NVA Ticlio	459	-
Other minor projects	10,211	30,603
	52,622	46,142

Subsidiary Compañía Minera Chungar S.A.C.

	2024	2023
	US$000	US$000
Romina project - General infrastructure	7,031	4,899
Construction of Cacray camp	5,048	3,876
Romina project - permits, social & environment	1,967	1,053
Pumping system level 390 – reinforcement of Esperanza system	1,874	-
TSF Animón with filtered tailings facility	1,417	145
Engineering and construction of Rinconada tailings facility	2,425	2,425
Transmission line Yanahuin Romina	1,097	1,097
Reinforcement of Electrical Substation Animon	1,083	1,083
Other minor projects	9,267	17,280
	31,209	31,848

As of December 31, 2024 and 2023, other Subsidiaries have projects in progress for US$17,472 and US$12,209, respectively.

The projects held as of December 31, 2024 are estimated to be completed between 2025 and 2026.

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

	2024	2023
	US$000	US$000
Cost of sales (Note 22)	108,424	105,240
Administrative expenses (Note 23)	720	1,528
Selling expenses (Note 24)	66	43
Other expenses (Note 25)	2,625	2,411
Total	111,835	109,222

(c) As of December 31, 2024, buildings, machinery, and equipment include assets under finance leases with a carrying amount of US$7,800 and US$18,805, respectively (US$8,138 and US$27,770 as of December 31, 2023).

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

(e) As of December 31, 2024 and 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.

(f) As of December 31, 2024 and 2023, the Company and Subsidiaries have assets fully depreciated for US$134,921 and US$111,827, 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, 2024	Additions	Disposals	Disposal of subsidiaries	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000
Cost of:					
Operating machinery	13,448	2,417	-	-	15,865
Vehicles	11,029	2,912	(3,897)	(94)	9,950
Properties	170	-	-	-	170
	24,646	5,329	(3,897)	(94)	25,984

	Balance as of January 1, 2024	Additions	Disposals	Disposal of subsidiaries	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000
Depreciation of:					
Operating machinery	1,857	3,014	-	-	4,871
Vehicles	4,711	4,412	(3,784)	(59)	5,280
Properties	152	18	-	-	170
	6,721	7,444	(3,784)	(59)	10,322
Net value	17,926				15,663

	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

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

	2024	2023
	US$000	US$000
Cost of sales (Note 22)	6,700	4,568
Administrative expenses (Note 23)	744	870
Total	7,444	5,438

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, 2024	Additions	Disposals	Transfers	Estimate adjustment	Disposal of subsidiaries	Impairment recovery	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000 (Note 33)	US$000	US$000	US$000
Cost of:								
Mining concessions	260,650	-	(10,343)	-	-	(239)	-	250,068
Exploration costs	338,691	8,839	-	-	-	-	-	347,530
Development costs (a)	896,005	69,145	-	(3,426)	-	-	91,700	1,053,424
Closure of mining units	210,609	-	-	3,437	(72,509)	-	-	141,537
Community rights	24,645	-	-	-	-	(3,244)	-	21,401
Other intangibles	20,995	3	-	(3,070)	-	(30)	-	17,898
	1,751,595	77,987	(10,343)	(3,059)	(72,509)	(3,513)	91,700	1,831,858
Amortization of:								
Mining concessions	205,730	4,865	-	-	-	(239)	-	210,356
Exploration costs	201,663	16,243	-	-	-		-	217,906
Development costs (a)	577,179	37,760	-	-	-		-	614,939
Closure of mining units	98,717	13,793	-	-	-		-	112,510
Community rights	8,911	1,545	-	-	-	(744)	-	9,712
Other intangibles	8,745	1,479	-	-	-	(17)	-	10,207
	1,100,945	75,685	-	-	-	(1,000)	-	1,175,630
Net value	650,650							656,228

	Balance as of January 1, 2023	Additions	Disposals/ 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	US$000
Costo de:							
Mining concessions	272,001	-	(11,351)	-	-	-	2560,650
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	16,568	18,710	-	-	-	201,663
Development costs (a)	502,615	43,309	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

(a) Development costs:

The movement and structure of this item is presented below:

	Balance as of January 1, 2024	Additions	Transfers	Impairment recovery	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000
Cost of:					
Yauli	435,487	53,265	10	86,900	575,662
Cerro de Pasco	156,056	-	(3,436)	4,800	157,420
Animon	298,204	15,880	-	-	314,084
Vinchos	6,258	-	-	-	6,258
	896,005	69,145	(3,426)	91,700	1,053,424
Accumulated amortization of:					
Yauli	306,854	16,751	-	-	323,605
Cerro de Pasco	103,383	5,505	-	-	108,888
Animon	160,684	15,504	-	-	176,188
Vinchos	6,258	-	-	-	6,258
	577,179	37,760	-	-	614,939
Net cost	318,826				438,485

	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
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

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

	2024	2023
	US$000	US$000
Cost of sales (Note 22)	73,218	89,702
Administrative expenses (Note 23)	2,063	2,559
Other expenses (Note 25)	404	194
Total	75,685	92,455

(c) As of December 31, 2024, the cost of mining concessions, development costs and other intangibles is presented net of accumulated impairment of US$602,659, distributed in items of mining concessions for US$45,984, exploration costs for US$237,045, development costs for US$268,086, and other intangibles for US$51,544 (as of December 31, 2023, it 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).

In 2024, as part of the impairment assessment of certain cash-generating units (CGUs), the Company's Management determined an impairment estimate recovery for US$91,700, distributed in development costs (Note 26).

In 2023, 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	
	US$000			2024	2023
				US$000	US$000
Bonds (a):					
Negotiated bonds	475,000	4.375	Feb-26	67,986	365,000
Adjustment for amortized cost (issue costs)				(1,194)	(2,296)
				66,792	362,704
Negotiated bonds	299,872	8.75	Jan-30	299,872	-
Adjustment for amortized cost (issue costs)				(11,545)	-
				288,327	-
Syndicated loan (b):					
Syndicated loan	400,000	-	Jan-26	-	400,000
Adjustment for amortized cost (issue costs)				-	(2,030)
				-	397,970
Syndicated loan	369,371	-	Jul-29	344,348	-
Adjustment for amortized cost (issue costs)				(15,097)	-
				329,251	-
Loans (c):					
Glencore Lima Trading S.A.C.	25,000	4.5 + SOFR 3M	Dec-28	25,000	-
Glencore International Inc	30,000	5.5 + SOFR 3M	Jan-25	6,375	-
				31,375	-
Lease liability with third parties					
Lease liability	-	-	-	12,777	15,270
				12,777	15,270
Lease liability with financial entities					
Banco Internacional del Perú-Interbank	2,573	Between 2.19 and 4.45	Between Jan-25 and Feb-25	142	2,573
Scotiabank Perú S.A.A.	11,298	Between 2.04 and 3.83	Between Jan-25 and Feb-27	4,070	11,298
				4,212	13,871
Interests payable				17,027	14,054
Total financial obligations				749,761	803,869
Non-current portion				709,060	667,543
Current portion				40,701	136,326

(a) 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 date on which the principal amount had to be paid. 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.

On August 5, 2024, the Company made a private exchange offer to the holders of the bonds denominated "4.375% Senior Notes Due 2026" for new bonds denominated "8.750% Senior secured notes due 2030".

81.37% of the holders of the "4.375% Senior Notes Due 2026" equivalent to US$297,014 accepted the exchange proposal. As a result, on September 10, the Company issued US$299,872 of the instruments denominated "8.750% Senior secured notes due 2030".

The interest on the "8.750% Senior secured notes due 2030" will be paid every January 24 and July 24 until January 2030, the date on which the principal amount is paid.

The new notes "8.750% Senior secured notes due 2030" are guaranteed by the majority of the Company's assets including the subsidiaries: Compañía Minera Chungar, Empresa Administradora Cerro, Empresa Minera Paragsha, Compañía Industrial Huacho, Roquel and Tingo and shares guarantees, on a *pari passu* basis, with the obligations of the syndicated loan agreement dated July 24, 2024, entered into between the Company, some of its subsidiaries, the lenders detailed in such document and Citibank N.A., as administrative agent.

(b) On December 29, 2021, the Company entered into an agreement for a syndicated loan managed by Citigroup Global Markets Inc. and Banco Santander S.A. for US$400,000.

The loan was disbursed on January 25, 2022 and had to be amortized in quarterly installments according to the following schedule: US$102.9 million in 2024, US$137.1

million in 2025 and US$160 million in 2026. In addition, it had a variable interest rate, equivalent to LIBOR (3m) plus a markup, which was 400 bps as of December 31, 2023.

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.

The amount of US$34,286 of the syndicated loan was amortized in June 2024 and, on July 24, the Company entered into a comprehensive "Amended and Restated Credit Agreement" to the syndicated loan agreement which included the following modifications:

(i) The extension of the final maturity date to July 24, 2029.

(ii) The amortization of the outstanding amount of US$369,371 million in quarterly installments according to the following schedule: US$10,000 due in 2025, US$20,000 in 2026, US$25,000 in 2027, US$35,000 due in 2028 and US$25 million with the remaining balance on the final maturity date.

(iii) Interest rate of SOFR+500 bps during years 1-3 and a possible increase in years 4-5 to SOFR+550 bps.

(iv) It allows additional financing of up to US$70,000 for working capital, US$125,000 for the development of the Romina Project, US$100,000 for hedging operations and an additional US$15,000 for leasing operations.

(v) Provided that there are outstanding balances of the syndicated loan greater than US$160,000, the Company will apply part of the cash surplus greater than US$70,000 to amortize the syndicated loan.

(vi) The following financial covenants have been established:

    (a) Consolidated total debt to EBITDA ratio: the consolidated debt to EBITDA ratio, measured as of the last day of each fiscal quarter must be less than: 3.75:1.00 by December 31, 2026, and (ii) 3.50:1.00 as of 2027.

    (b) Consolidated EBITDA to Debt Service ratio, measured on the last day of each fiscal quarter, must be greater than 1.75:1.00.

    As of December 31, 2024, the result of the Debt to EBITDA ratio is 1.99. In case of the EBITDA to Debt Service ratio, the result at the end of 2024 is 2.34.

(vii) Limitations are established for the sale of certain assets, among others.

(viii) The refinanced loan is secured by the majority of the Company's assets including the subsidiaries: Compañía Minera Chungar, Empresa Administradora Cerro, Empresa Minera Paragsha, Compañía Industrial Huacho, Roquel and Tingo.

(ix) The refinanced loan allows the Company to share the guarantees granted *pari passu* with the "8,750% Senior secured notes due 2030".

On December 22, 2023, Glencore Lima Trading S.A.C. and Volcan Compañía Minera S.A.A. entered into a Mutual Monetary Agreement for US$25,000, with a variable interest rate SOFR (3M) + 4.5%. The loan was disbursed during the first quarter of 2024.

On July 12, 2024, Glencore International AG and Volcan Compañía Minera S.A.A. entered into a financing agreement for US$30,000 with a maturity of 6 months, with a variable interest rate SOFR (3M) + 5.5%. The loan was disbursed on July 22, 2024.

(c) The debt amortization schedule at face value, including interests to be accrued, as of December 31, 2024 and 2023 is as follows:

	2024	2023
	US$000	US$000
2024	-	160,941
2025	107,786	202,799
2026	150,551	562,280
2027	83,282	-
2028	89,905	-
2029	295,387	-
2030	299,872	-
Total	1,026,783	926,020

(d) As of December 31, 2024 and 2023, the reconciliation of cash flows to financial obligations are shown below:

	2024	2023
	US$000	US$000
Movements related to cash flows		
Obtainment of third-party loans	55,000	-
Payment of issue costs - syndicated loan and bond	(20,753)	-
Payment of short-term loans from banks	(23,625)	(2,804)
Payment of syndicated loan	(59,310)	-
Payment of leases with financial entities	(11,123)	(13,413)
Payment of interests on loans	(60,411)	(54,183)
Payment of leases with third parties	(8,873)	(9,172)
Bank overdrafts	(1,046)	2,017
Total	(130,141)	(77,555)

	2024	2023
	US$000	US$000
Movements not related to cash flows		
Obtainment of finance leases	1,466	1,240
Interests on loans	63,384	55,639
Exchange difference - financial obligations	-	868
Accrual of issue costs - bonds	1,794	1,012
Accrual of structural costs - syndicated loan	1,964	1,015
Lease liabilities with third parties	6,379	12,199
Decrease of financial obligations during the year	(55,154)	(5,582)
Financial obligations at the beginning of the year	804,915	810,497
Financial obligations at the end of the year	749,761	804,915

(e) Guarantees

The guarantees are shared *pari passu* between the new guaranteed syndicated loan and the "8,750% Senior secured notes due 2030" and comprise the following:

(i) Trust in administration and guarantee under Peruvian Law on certain balances of the flows from the sale of concentrates from Volcan, Chungar and Cerro de Pasco that are provided by the trusts of those companies.

(ii) Trust in guarantee under Peruvian Law on current or future interests in:

(a) 100% of the shares owned by Volcan or its subsidiaries in Chungar, Cerro, Paragsha, Roquel, Tingo, Huacho, Toruna and Vinchos;

(b) Shares owned by Paragsha in Volcan (11.20% of common Class A shares), in Inversiones Portuarias Chancay S.A.A. (11.20% of common Class A shares) and Cementos Polpaico.

(c) 100% interest in any newly created or acquired subsidiary; and

(d) 100% of the equity interest that corresponds to Volcan or its subsidiaries in a future joint venture.

(iii) Mortgages on production units under Peruvian Law on the mining units of San Cristóbal Carahuacra, Andaychagua, Ticlio; Mahr Tunel, Chungar, El Pilar, Huascarán, Vichaycocha, San Sebastian, Cerro and Oxidos. These mortgages include mining concessions, land, plants and assets. Alpamarca and Romina are excluded.

(iv) Mortgages under Peruvian Law on real estate owned by the Borrower and Huacho with respect to the offices.

(f) Commercial agreements

Through its commercial agreements, the Company has additional working capital lines that ensure liquidity and financial flexibility. To date, the Company has lines for up to US$25,000 with maturities until December 2025.

17. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	2024	2023
	US$000	US$000
Invoices payable (a) (b)	117,233	169,656
Invoices receivable (c)	59,563	58,207
Guarantee funds	12,915	14,350
Total	189,711	242,213

(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, 2024 and 2023, 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, 2024, the Company and Subsidiaries hold obligations for US$7,320 (US$39,345 as of December 31, 2023), 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:

	2024	2023
	US$000	US$000
Short term		
To third parties		
Salaries and profit-sharing of employees (b)	32,097	31,795
Income tax	16,425	107
Advances from customers (a)	-	3,200
Mining taxes	5,144	2,388
Dividends	953	975
Contribution to OEFA	201	136
Other minor items	3,853	4,250
	58,673	42,851
Amortized cost:		
Water use/treatment/discharge	3,447	7,744
Operating rights and penalties	12,024	7,371
Other minor items	1,937	1,983
	17,408	17,098
	89,891	59,949
To related entities		
Sundry items	-	546
	-	546
Total	89,891	60,495

(a) As of December 31, 2023, this item corresponds to an advance received from IXM S.A. for the future delivery of 3,750 MT of lead concentrate, which was completed in 2024. The Company does not have advances from customers as of December 31, 2024.

(b) As of December 31, 2024, this item mainly includes vacations, profit-sharing, and performance bonus of employees for US$9,887, US$9,428 and US$10,419, respectively (US$11,090, US$2,833 and US$7,138 for vacations, profit-sharing, and performance bonus of employees, respectively, in 2023).

19. PROVISIONS

Provisions comprise the following:

	2024	2023
	US$000	US$000
Mine closure (Note 33)	31,990	32,346
Provisions for lawsuits (a)	180,811	262,670
Agreements with communities (b)	19,838	23,365
Other provisions	5,019	5,093
Total	237,658	323,474

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

	US$000
Balance as of January 1, 2023	25,422
Provision for the year (Note 25)	6,924
Balance as of December 31, 2023	32,346
Provision for the year (Note 25)	3,073
Reversal (Note 25)	(3,429)
Balance as of December 31, 2024	31,990

(b) As of December 31, 2024, the nominal value of the provision for obligations with communities is US$26,561 (US$25,504 as of December 31, 2023), which has been determined using the annual discount rate of 5.90% (1.85% in 2023), resulting in a net value of US$19,838 (US$23,365 as of December 31, 2023).

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/0.55 per share (S/0.66 in 2023).

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/0.41 and S/0.208 per share, respectively (S/0.53 and S/0.312 per share, respectively, as of December 31, 2023). As of December 31, 2024, the negotiation frequency of class A shares was 5% and 100% for class B shares (25% for class A shares and 95% for class B shares as of December 31, 2023).

The equity interest structure as of December 31, 2024 and 2023 is as follows:

Individual interest percentage in issued capital stock	Number of shareholders		Total interest percentage	
	2024	2023	2024	2023
			%	%
Less than 0.20	12,391	8,315	20.39	12.73
From 0.20 to 1.00	24	19	11.19	8.31
From 1.01 to 5.00	14	18	41.01	56.77
From 5.01 to 10.00	1	1	5.36	5.40
From 10.01 to 20.00	1	1	22.05	16.79
	12,431	8,354	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.

As a result of the capital reduction agreement, the Shareholders' Meeting agreed to amend the text of Article Five of the articles of incorporation, so that it is worded as follows:

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

The effective date of the split-off was March 4, 2024. As a result of the split-off of the block of equity, the capital decreased by (in thousands) S/443,328 (equivalent of US$132,386).

On May 8, 2024, over-the-counter transfers totaling 898,832,275 Class "A" common shares of Volcan Compañía Minera S.A.A. have been made by Glencore International AG, Blomara Financing Corp., Earthwind International S.A. and Sandown Resources S.A. in favor of Transition Metals AG., which in turn is a subsidiary of Integral Capital Business S.A., a company domiciled in Panama.

(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.

As a result of the decrease of the face value of treasury shares (letter c), the higher value in the acquisition of treasury shares has decreased.

(c) Treasury shares

This item corresponds to shares of the Company acquired by the Subsidiaries. From total shares, 182,994,435 common class A shares and 12,234,901 class B shares for US$34,690 and US$2,320, respectively, are owned by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 common class A shares for US$4,444 are owned by subsidiary Compañía Minera Chungar S.A.C., and 306,283 common class A shares for US$57 are owned by subsidiary Compañía Industrial Limitada de Huacho S.A.

In 2024, treasury shares have decreased as a consequence of the split-off of the block of equity, and the face value of shares was reduced from S/0.66 to S/0.55.

(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 2024 and 2023, revenue mainly includes sales of zinc, lead, silver, and copper concentrates and silver bars, as follows:

	2024	2023
	US$000	US$000
Net sales per concentrate:		
Zinc	502,200	483,415
Lead	213,836	228,635
Silver	77,913	68,565
Copper	71,295	60,639
	865,244	796,254
Net sales of silver bars:		
Silver bars	98,327	84,747
Net sales of silver slag:		
Silver slag	1,478	-
	965,049	881,001
Profit (loss) in:		
Execution of financial instruments	(55)	3,893
Embedded derivatives (Note 30(a))	(4,473)	(1,808)
Total	960,521	883,086

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

	2024	2023
	US$000	US$000
Peru	613,460	606,197
Europe	224,301	77,365
Asia	110,099	197,439
America	17,189	-
	965,049	881,001

(a) Sales concentration

In 2024, the three most important customers represented 52% of total sales (46% of total sales in 2023). As of December 31, 2024, 39% of accounts receivable is related to these customers (28% as of December 31, 2023). 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, 2024, the Company and Subsidiaries hold commitments with third parties for sales of zinc, lead, and copper concentrates for 909,816 WMT, 118,189 WMT and 9,162 WMT until 2029, for an approximate amount of US$997,832, US$296,108 and US$42,274, respectively (739,419 WMT, 158,181 WMT and 11,735 WMT, approximately, as of December 31, 2023, for an approximate amount of US$710,149, US$357,436 and US$41,265).

As of December 31, 2024, the Company and Subsidiaries hold commitments for the sale of Dore bars for 1,500,000 oz. for US$45,275. As of December 31, 2023, the Company and Subsidiaries held commitments for the sale of Dore bars for 2,620,600 oz. for US$55,815.

22. COST OF SALES

Cost of sales comprises the following:

	2024	2023
	US$000	US$000
Beginning balance of concentrates (Note 12)	8,052	11,036
Beginning balance of minerals (Note 12)	11,956	13,547
Services provided by third parties, energy and others	259,009	279,460
Consumption of supplies	120,978	128,476
Depreciation (Note 13 (b))	102,935	103,455
Depreciation of right-of-use assets (Note 14)	6,700	4,568
Labor	89,217	89,524
Amortization (Note 15 (b))	68,515	88,829
Purchase of concentrates and minerals	1,288	-

	2024	2023
	US$000	US$000
Others	2,945	-
Ending balance of concentrates (Note 12)	(8,909)	(8,052)
Ending balance of minerals (Note 12)	(5,416)	(11,956)
Subtotal	657,270	698,887
Cost of plant shutdown	32,126	23,962
Depreciation of plant shutdown (Note 13 (b))	5,489	1,785
Amortization of plant shutdown (Note 15 (b))	4,703	873
Total	699,588	725,507

23. ADMINISTRATIVE EXPENSES

Administrative expenses comprise the following:

	2024	2023
	US$000	US$000
Personnel charges	35,091	21,565
Professional fees	6,414	5,613
Insurance	5,108	4,316
Operating rights - Penalties	3,620	2,908
Mails, telecommunications, and other minor items	3,052	3,103
Amortization (Note 15 (b))	2,063	2,559
Leases	1,537	2,325
Depreciation of right-of-use assets (Note 14)	744	870
Depreciation (Note 13 (b))	720	1,528
Communications and information technology	563	810
Services provided by contractors	464	4,912
Impairment of accounts receivable	398	-
Personnel services	192	221
Others	2,909	4,427
Total	62,875	55,157

24. SELLING EXPENSES

Selling expenses comprise the following:

	2024	2023
	US$000	US$000
Freight	17,991	19,306
Services for the sale of concentrates	3,701	3,296
Leases	1,658	2,139
Samples, analysis, and supervision	1,475	1,476
Personnel expenses	1,084	1,159
Services provided by contractors	1,034	864
Services provided by third parties	755	352
Shipment expenses	671	1,152
Sundry services	646	776
Depreciation (Note 13 (b))	66	43
Total	29,081	30,563

25. OTHER INCOME AND EXPENSES

Other income comprises the following:

	2024	2023
	US$000	US$000
Other income:		
Income from the sale of energy companies (a)	90,675	-
Recovery of estimate for mine closure and communities (b)	12,853	-
Interests and other untaxed items	9,751	-
Income from the sale of energy to third parties	8,666	23,767
Income from the sale of sundry supplies	7,594	9,991
Reversal of provision for lawsuits (Note 19)	3,429	-
Leases	2,199	2,074
Income from services provided to third parties	1,808	2,457
Recovery of impairment of supplies (Note 12)	947	794
Disposal of fixed assets	389	680
Insurance compensation	136	4,481
Profit from valuation of investment in associate under the equity method	-	316
Income from recovery of impairment of other accounts receivable	-	13,688
Others	6,668	5,181
Total	145,115	63,429

(a) Income from the sale of energy companies is mainly composed of:

(i) Sale of Empresa Generadora Rio Baños S.A.C. The income obtained was US$31,675 and the cost was US$30,000 classified as "Other expenses". As part of the transaction, there is an escrow account receivable for US$4,373, the sale of which was made on May 31, 2024.

(ii) The sale of Hidroeléctrica Huanchor S.A.C. for US$49,469, and the cost for US$39,785 classified as "Other expenses". As part of the transaction, there is an escrow account receivable for US$1,600, the sale of which was made on October 11, 2024.

(b) In 2024, the Company updated its mine closure estimate (Note 33) and communities (Note 19), recognizing the effect of changes in other income and other expenses for non-operating subsidiaries.

Other expenses comprise the following:

	2024	2023
	US$000	US$000
Other expenses:		
Disposal for the sale of energy companies	(69,785)	-
Cost of sales of sundry supplies	(7,141)	(10,660)
Tax administrative penalties	(5,160)	(3,201)
Expense for mine closure and communities	(5,140)	(8,866)
Cost of services provided to third parties	(4,663)	(5,228)
Provision for lawsuits (Note 19)	(3,073)	(6,924)
Cost of sales of energy	(2,979)	(9,900)
Depreciation (Note 13 (b))	(2,625)	(2,411)
Services provided by contractors	(2,422)	(7,603)
Contribution for regulation OEFA and OSINERMING	(1,975)	(1,764)
Impairment of other accounts receivable	(1,758)	(7,031)
Sundry expenses	(1,460)	(2,071)
Professional fees	(802)	(4,344)
Impairment estimate for supplies (Note 12)	(599)	(1,099)
Leases	(595)	(2,690)
Derecognition of property, plant and equipment	(579)	(1,287)
Amortization (Note 15 (b))	(404)	(194)
Others	(4,122)	(3,234)
Total	(115,282)	(78,507)

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.

The Company and mining Subsidiaries have defined as a CGU the set of operating mining units per company and its energy subsidiary has defined its hydroelectric plant in operation as a CGU.

In 2024, as part of the impairment assessment of certain cash-generating units (CGU), the Company’s Management determined a recovery for the impairment estimate of US$86,900 in

Volcan Cía Minera S.A.A. They also recognized a recovery corresponding to the impairment estimate in Empresa Administradora Cerro S.A.C. for US$4,800.

The recovery of impairment in Volcan Cía Minera S.A.A. resulted from higher volumes of resources and the decrease of the discount rate, assumptions used in the determination of its cash flows. Such amount was allocated to the item Development costs.

The recovery of impairment in Empresa Administradora Cerro S.A.C. resulted from higher volumes of resources. This amount was allocated to the item Development costs.

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.

	2024	2023
	Impairment estimate	Impairment estimate
	US$000	US$000
Cash-generating units:		
Volcan	86,900	(124,800)
Cerro	4,800	81,800
Egerba	-	6,800
Total	91,700	(36,200)
Recorded in:		
Property, plant and equipment (net) (Note 13)	-	8,576
Exploration costs (Note 15)	-	(5,643)
Mining concessions, development costs and other intangibles (net) (Note 15)	91,700	(39,133)
Total	91,700	(36,200)

For the calculation of the value in use, flows were projected during the life of the mine of each CGU, so the Company used the following assumptions: international prices (Zn, Pb, Cu, Ag), commercial terms, resources and reserves (R&R), costs and investments according to the level of production determined based on R&R. The discount rate used, for flows after taxes, was 9.86% and 13.25% as of December 31, 2024 and 2023, respectively. The Company and Subsidiaries’ mining units are aligned to the life of the mines, which ranges from 2025 to 2046. In case of energy companies, the discounts rate used was 9.86% and 13.25% as of December 31, 2024 and 2023, respectively, and the useful lives of assets range from 2025 to 2052.

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:

	2024	2023
	US$000	US$000
Financial income		
Net exchange difference profit	570	951
Interests on loans	3,597	4,841
Other financial income	721	1
Total	4,888	5,793
Financial expenses		
Interests on issued bonds	(21,053)	(16,766)
Interests on syndicated loans	(39,375)	(38,488)
Interests and expenses of financial obligations	(3,262)	(1,200)
Effect for the update of the present value of mine closure (Note 33)	(4,854)	(3,393)
Amortized cost of bonds	(942)	(881)
Effect for the update of the present value of communities	(372)	(230)
Interests on lease liabilities	(1,253)	(1,271)
Commissions and other expenses	(8,095)	(8,297)
Total	(79,206)	(70,526)

28. INCOME TAX

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

	2024	2023
	US$000	US$000
Income tax		
Current	(30,647)	(12,116)
Deferred (a)	(32,125)	57,096
	(62,772)	44,980
Special mining tax (b)	(5,266)	(2,019)
Mining royalties (b)	(10,510)	(8,599)
Contribution to the mining retirement fund (c)	(511)	(193)
Total	(79,059)	34,169

(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, 2023	Statement of profit or loss	Other comprehensive income	Balance as of December 31, 2023	Statement of profit or loss	Other comprehensive income	Sale (Huanchor)	Sale (Rio Baños)	Split-off Volcan-IPCH	Balance as of December 31, 2024
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Deferred asset										
Depreciation expenses of property, plant and equipment (net)	52,211	(9,026)	-	43,185	2,598	-	-	-	-	45,783
Amortization expenses of mining rights and concessions, exploration, development and stripping costs	48	(2)	-	46	-	-	(46)	-	-	-
Provision for the closure of mining units	62,553	(1,883)	-	60,670	(21,707)	-	-	-	-	38,963
Lease liability	3,047	1,308	-	4,355	(835)	-	(15)	-	-	3,505
Provision for contingencies	7,428	1,725	-	9,153	(81)	-	(2)	(3)	-	9,067
Obsolescence estimate for inventories	3,694	(1,423)	-	2,271	25	-	(103)	-	-	2,193
Recoverable tax loss	22,034	1,726	-	23,760	5,110	-	(2,249)	-	-	26,621
Embedded derivatives and sales adjustments	119	(119)	-	-	814	-	-	-	-	814
Fair value of shares of Cementos Polpaico S.A. (Note 8)	7,076	-	374	7,450	-	2,525	-	-	-	9,975
Provision for community agreements	5,778	487	-	6,265	(310)	-	(3)	(748)	-	5,204
Pending vacations payable	1,812	(55)	-	1,757	(170)	-	(8)	-	-	1,579
Provision for doubtful accounts	50	1,428	-	1,478	(1,311)	-	-	-	-	167
Undercapitalization - interests	4,863	135	-	4,998	(4,998)	-	-	-	-	-
Other expenses of Mahr Tunel tailings facility	-	-	-	-	1,199	-	-	-	-	1,199
Adjustment of value of Alpamarca mineral	-	-	-	-	869	-	-	-	-	869
Others	2,564	407	-	2,971	1,786	-	(7)	(3)	-	4,746
Total	173,277	(5,292)	374	168,359	(17,010)	2,525	(2,433)	(754)	-	150,686
Deferred liability										
Use of amortization benefits of mining rights and concessions, exploration, development and stripping costs	(217,169)	31,287	-	(185,882)	(8,559)	-	-	738	-	(193,703)
Use of depreciation benefits of property, plant and equipment (net)	(23,347)	12,715	-	(10,632)	330	-	41	8,490	-	(1,771)
Effect for translation of tax benefits into U.S. dollars	(57,474)	15,076	-	(42,348)	(409)	-	1,077	221	-	(41,459)
Fair value of instruments	-	-	(51)	(51)	-	(229)	-	-	-	(280)
Valuation of stockpiles	(1,834)	226	-	(1,608)	80	-	-	-	-	(1,528)
Adjustment at fair value of investments in associates	(4,747)	(93)	-	(4,840)	(200)	-	-	-	5,040	-
Insurance compensation	(2,025)	2,025	-	-	-	-	-	-	-	-
Embedded derivatives	(105)	(298)	-	(403)	403	-	-	-	-	-
Sales adjustments	(882)	882	-	-	-	-	-	-	-	-
Amortized cost of financial obligations	(1,900)	624	-	(1,276)	(5,151)	-	-	-	-	(6,427)
Commission – Debt structuring	-	-	-	-	(1,785)	-	-	-	-	(1,785)
Valuation of shares of Inversiones Portuarias Chancay S.A.A. (Note 8)	-	-	-	-	-	(27,242)	-	-	-	(27,242)
Others	(120)	(56)	-	(176)	(176)	-	-	-	-	-
Total	(309,553)	62,388	(51)	(247,216)	(15,115)	(27,471)	1,118	9,449	5,040	(274,195)
Net asset (liability)	(136,276)	57,096	323	(78,857)	(32,125)	(24,946)	(1,315)	8,695	5,040	(123,509)

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 b) selected by the Company and its Subsidiaries for offsetting losses (see section vii) and the business plan. In 2024, the Company recovered US$2,571 (US$7,731 as of December 31, 2023), and in case of its subsidiary Compañía Minera Chungar S.A., an increase of tax loss was recorded for US$7,681 (US$8,801 as of December 31, 2023, Compañía Minera Chungar S.A. and Hidroeléctrica Huanchor S.A.C.).

For other subsidiaries that have tax losses, no deferred income tax assets generated for US$35,583 were recognized (US$33,579 as of December 31, 2023) 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 2024 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 2024.

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, 2024.

(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 2020 to 2024 and value-added tax for the periods from December 2020 to December 2024 of the Company and Subsidiaries will be reviewed by the Tax Administration. In addition, the Tax Administration has started a review process of income tax corresponding to period 2022 of the Company.

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. 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/11,485 (US$3,152)	Operations with related entities	Transactions that give rise to taxable income or deductible expense	2018
Master report	S/103,000 (US$27,408)	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 2023 to the Tax Administration and are now preparing the pertinent reports for 2024.

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, 2024 and 2023, in relation to transfer pricing.

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

During 2024 and 2023, 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:

	2024		2023	
	Amount	Percentage	Amount	Percentage
	US$000	%	US$000	%
Profit (loss) before income tax	216,192	100	(44,152)	100
Income tax as per tax rate	63,777	29.50	(13,025)	29.50
Unrecognized deferred tax for tax losses	(7,745)	(3.58)	(671)	1.52
Adjustment of income tax from previous years	15	0.01	-	-
Translation effect of non-financial assets	5,420	2.51	181	(0.41)
Deferred assets not recognized due to lack of recoverability	2,552	1.18	(28,200)	63.87
Tax effects on non-deductible expenses and other minor items	(1,247)	(0.58)	(3,265)	7.39
Mining taxes	16,287	7.53	10,811	(24.49)
Income tax profit and tax rate applicable to profit as per records	79,059	36.57	(34,169)	77.39

(v) Income tax payable

The Company and Subsidiaries have a credit balance with the Tax Administration for US$16,425 as of December 31, 2024 (US$107 as of December 31, 2023) (Note 18).

(vi) Significant changes to income tax in Peru

After December 31, 2024, 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, 2024 have been considered by Management when preparing these consolidated financial statements.

Below we present the main amendments that will be applicable as from 2025:

<u>Interests and capital gains from repurchase and disposal transactions of participation units of Stock Exchange Funds or ETFs</u>

Pursuant to Law 32218, published on December 29, 2024, interests and capital gains from repurchase and disposal transactions of participation units of Stock Exchange Funds or Exchange-traded Funds (ETF), whose underlying items are the instruments issued by the Republic of Peru (Public Treasury bills issued by the Republic of Peru and Bonds and other debt securities issued by the Republic of Peru under the Market Creators Program or the mechanism that replaces it, or in the international market as of 2003), constitute untaxed income.

<u>Accelerated depreciation of fixed assets used in the power generation activity with water resources and other renewable resources</u>

Pursuant to Law 32217, published on December 29, 2024, the accelerated depreciation tax benefit that promotes investment in the power generation activity with water resources and other renewable resources was extended until December 31, 2030.

This benefit consists of the accelerated depreciation applicable to the machinery, equipment and civil works necessary for the installation and operation of the plant that generates electricity with water resources and other renewable resources, which will have an annual depreciation rate of no more than 20% as annual global rate.

<u>Advance pricing agreements (APAs) and other valuation methods</u>

- Legislative Decree 1663, published on September 24, 2024, modifies paragraph 7 of article 32 A of the Income Tax Law, in which the application of other valuation methods is allowed when it is not possible to apply the other six provided, provided that such methods comply with the new conditions and rules established in the ITL.

- Legislative Decree 1662, published on September 24, 2024, allows the retroactive application of advance pricing agreements (rollback), provided that it is verified that the relevant facts and circumstances of such years are the same as in the years covered by the advance pricing agreements and the action of SUNAT to determine the tax obligation of the income tax by application of transfer pricing standards has not expired with respect to such transactions.

(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 EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated dividing consolidated net profit (loss) 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, 2024 and 2023, diluted earnings (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.

	2024	2023
	US$000	US$000
Net earnings (loss)	137,133	(9,983)
Average common shares - thousands of units	3,857,594	3,857,594
Net basic and diluted (loss) earnings per share for the year	0.036	(0.003)

30. DERIVATIVE FINANCIAL INSTRUMENTS

During 2024, 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 2024, 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, 2024, the Company had the following hedging operations in force (Note 11), which will be settled in 2025:

Metal	Amount	Period	Fair value
			US$000
Zinc	7,800	January 2025 – December 2025	948
Total			948

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

As of December 31, 2024 and 2023, 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, 2024:

	Quantity	Quotation period	Fair value
	DMT/OZ		US$000
Receivable			
Zinc	223,475	Sep 2024 - Mar 2025	(1,828)
Lead	182,681	Jul 2024 - Mar 2025	(236)
Copper	18,442	Nov 2024 - Feb 2025	(1,065)
Silver	57,621	Apr 2024 - Jan 2025	(160)
Silver slag	334	Jan 2025	(113)
Total - Note 9			(3,402)

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 - Ene 2024	115
Total - Note 9			1,071

As of December 31, 2024 and 2023, fair values of embedded derivatives caused a loss of US$4,473 and US$1,808, 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, 2024 and 2023 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 of the hydroelectric power plant Tingo.

- Others: include operations of the subsidiary that will perform port and logistics, non-operating, and other activities.

Data of interest per business segment as of December 31, 2024 and 2023 is presented in the tables below:

As of December 31, 2024:

	Volcan	Chungar	Cerro	Paragsha	Energy	Others	Deletions	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Total assets	2,096,127	636,092	428,646	178,880	21,848	27,154	(1,547,921)	1,840,826
Total liabilities	1,219,312	494,388	179,278	81,336	3,247	19,237	(605,672)	1,391,128
Sales	574,088	247,341	211,614	-	1,189	577	(74,288)	960,521
Gross profit	206,813	3,002	53,688	-	(86)	577	(116)	260,933
Operating expenses	(165,762)	(40,394)	(21,189)	(1,761)	(550)	(1,938)	24,357	(207,238)
Other operating income	208,493	14,488	8,410	7	134	16,540	(11,258)	236,815
Operating profit (loss)	249,545	(22,904)	40,909	(1,755)	(502)	15,179	10,039	290,510
Profit (loss) before income tax	195,713	(45,829)	50,702	(9,534)	442	14,370	10,328	216,192
Net profit (loss) for the year	120,090	(37,613)	40,106	(9,537)	234	14,088	9,765	137,133
Detail of sales								
Local sales	434,220	175,850	76,599	-	1,189	577	(74,975)	613,460
International sales	144,081	72,143	135,365	-	-	-	-	351,589
Embedded derivative, adjustment of open temporary liquidations and execution of financial instruments	(4,213)	(651)	(350)	-	-	-	686	(4,528)
	574,088	247,342	211,614	-	1,189	577	(74,289)	960,521

As of December 31, 2023:

	Volcan	Chungar	Cerro	Paragsha	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	(22,835)	(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	(48,668)	(48,668)	99,944	(10,883)	5,515	(2,131)	18,941	(9,982)
Detail of sales								
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, adjustment of open temporary liquidations and execution of financial instruments	3,533	(701)	(768)	-	-	-	21	2085
	530017	227,922	170,808	-	21,330	470	67,461	883,086

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$31,990 and US$32,346, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2024 and 2023, 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$83,910 (US$84,479 as of December 31, 2023), 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$17,157 as of December 31, 2024 (US$16,221 as of December 31, 2023). 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$37,503 as of December 31, 2024 (US$37,181 as of December 31, 2023), which corresponds to several proceedings addressed by the Company.

Civil and labor proceedings

As of December 31, 2024, certain civil and labor lawsuits have been filed against the Company for US$9,947 (US$7,572 as of December 31, 2023), which have been classified as probable. Contingencies classified as possible amount to US$14,367 (US$14,654 as of December 31, 2023) for compensations for occupational disease, refund of social benefits, payment of profit sharing, reinstatement of employees and others.

Tax proceedings

As of December 31, 2024, 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 of 2015 and 2017.

As of December 31, 2024 and 2023, 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$8,344 (US$8,503 as of December 31, 2023).

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$7,210 as of December 31, 2024 (US$8,549 as of December 31, 2023), and possible contingencies for US$14,792 as of December 31, 2024 (US$14,024 as of December 31, 2023).

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.

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$8,076 as of December 31, 2024 (US$9,077 as of December 31, 2023). 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$39,972 as of December 31, 2024 (US$38,944 as of December 31, 2023), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of December 31, 2024, certain civil and labor lawsuits have been filed against Chungar for US$2,284 (US$1,550 as of December 31, 2023), which have been classified as probable. Contingencies classified as possible amount to US$15,988 as of December 31, 2024 (US$15,726 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, 2024, the Subsidiary 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$17,697 as of December 31, 2024 (US$17,459 as of December 31, 2023).

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$5,792 as of December 31, 2024 (US$7,527 as of December 31, 2023).

Contingencies classified as possible amount to US$6,287 as of December 31, 2024 (US$5,759 as of December 31, 2023).

(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$6,156 as of December 31, 2024 (US$6,208 as of December 31, 2023). 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$6,011 as of December 31, 2024 (US$7,057 as of December 31, 2023), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of December 31, 2024, certain labor lawsuits have been filed against the Subsidiary for US$2,407 (US$2,328 as of December 31, 2023), which have been classified as probable. Civil and labor contingencies classified as possible amount to US$627 as of December 31, 2024 (US$1,241 as of December 31, 2023) 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, 2024 and 2023, 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$678 as of December 31, 2024 (US$688 as of December 31, 2023).

Contingencies classified as possible amount to US$85 (US$85 as of December 31, 2023).

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$3,071 as of December 31, 2024 (US$3,192 as of December 31, 2023) and contingencies classified as possible for US$5,299 as of December 31, 2024 (US$5,730 as of December 31, 2023).

(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$601 as of December 31, 2024 (US$717 as of December 31, 2023) and contingencies classified as possible for US$424 as of December 31, 2024 (US$1,298 as of December 31, 2023). Management and its legal advisors believe that this provision covers probable contingencies sufficiently.

Labor proceedings

As of December 31, 2024, certain labor lawsuits have been filed against the subsidiary for US$20 (US$20 as of December 31, 2023), which have been classified as probable.

Tax proceedings

As of December 31, 2024, 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$424 (US$1,298 as of December 31, 2023).

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, 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$581 as of December 31, 2024 (US$696 as of December 31, 2023).

(b) Guarantees

The Company and Subsidiaries have letters of guarantee with financial entities, which expired in December 2024 and were renewed until October 2025, 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$122,534 (US$114,845 in 2023).

- As of December 31, 2024, the Company does not have letters of guarantee with the National Superintendence of Tax Administration (SUNAT) to guarantee debts and obligations held with the Tax Administration (US$10,242 (equivalent to S/38,000) in 2023).

- Third parties that guarantee the compliance with payments for the provision of services and/or others for US$818 (comprised by S/1,476 and US$426) and US$7,448 (comprised by S/24,906 and US$736) in 2023.

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 2024 and 2023, 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, 2024, the Company and Subsidiaries recognized a liability of US$180,811 for all their mining units (US$262,670 as of December 31, 2023), in relation to their obligations for future closure:

	2024	2023
	US$000	US$000
Mining unit		
Cerro de Pasco	37,928	34,758
Óxidos		
Chungar	21,517	48,176
Carahuacra	43,100	68,884
Andaychagua	23,614	35,554
Alpamarca	26,928	33,859
Vinchos	9,269	20,492
Ticlio	8,137	10,676
Vichaycocha	4,930	4,301
Toruna	1,535	1,760
San Sebastian	3,853	4,210
Total (Note 18)	180,811	262,670

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

	US$000
Balance as of January 1, 2023	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
Changes in estimates (Note 15)	(72,509)
Other expenses/income	(11,228)
Increase for update of present value of provision (Note 27)	4,854
Disbursements	(2,976)
Balance as of December 31, 2024	180,811

The provision for the closure of mining units represents the present value of closure costs that are expected to be incurred between 2025 and 2057.

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, 2024, the nominal value of the provision for the closure of mining units is US$342,867, which has been determined using the annual discount rate of 5.90%, resulting in a net present value of US$180,811 (nominal value of US$309,901 as of December 31, 2023, using an annual discount rate of 1.85%, resulting in a net present value of US$262,670). 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, 2024 and 2023 amounted to US$15,204 and US$11,746, 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:

2024

- Adjustment of the mine closure provision for US$78,883.
- Adjustment for the recovery of the impairment of long-term assets for US$91,700.
- Adjustment of the present value of the liability with communities for US$967.
- Assets acquired under leases for US$6,833.
- Acquisition of property, plant, and equipment, which have not been paid yet, for US$28,803.
- Acquisition of mining concessions, development costs and other intangibles, which have not been paid yet, for US$18,562.
- Acquisition of exploration costs, which have not been paid yet, for US$2,261.

2023

- Adjustment of the mine closure provision for US$2,960.
- Adjustment for the impairment of long-term assets for US$36,200.
- 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.

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.

The amounts recognized in the statement of profit or loss for this concept were US$41,440 and US$42,834 in 2024 and 2023, respectively. The commitments for leases are shown below according to their expiry date:

	2024	2023
	US$000	US$000
1 year or less	13,726	20,390
More than 1 to 3 years	5,387	7,244
	19,113	27,633

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.