

Listing Memorandum



COMPAÑIA MINERA S.A.A.

US\$475,000,000

4.375% Senior Notes due 2026

Interest payable February 11 and August 11

Issue Price: 100.000%

We are offering US\$475,000,000 aggregate principal amount of 4.375% senior notes due 2026. The notes will mature on February 11, 2026. Interest will accrue from February 11, 2021, and the first interest payment date will be August 11, 2021.

We may redeem the notes in whole or in part at any time on or after February 11, 2023 at a redemption price specified in this listing memorandum, plus accrued and unpaid interest, if any, to the date of redemption. Before February 11, 2023, we may redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus a “make-whole” premium, plus accrued and unpaid interest, in any, to the date of redemption. Upon the occurrence of specified events relating to tax law as a result of which we will be obligated to pay additional interest amounts with respect to the notes, the notes will be redeemable at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem up to 35% of the aggregate principal amount of the notes using the proceeds of certain equity offerings completed before February 11, 2023 at the redemption price set out in this listing memorandum, plus accrued and unpaid interest, if any, to the date of redemption. If we experience specific kinds of changes in control, or, subject to certain conditions, we sell certain of our assets, we must offer to purchase the notes.

The notes will be guaranteed on a senior unsecured basis by our subsidiaries Compañía Minera Chungar S.A.C. (formerly Empresa Administradora Chungar S.A.C.), Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and any of our existing or future restricted subsidiaries that guarantees our indebtedness or that of any subsidiary guarantor after the issue date. The notes will be senior unsecured obligations of ours and the guarantors, respectively, and will rank equally in right of payment to all of our and the guarantors’ existing and future senior unsecured debt, including our 5.375% Senior Notes due 2022 that remain outstanding, and senior in right of payment to all of our future subordinated debt. The notes will be effectively subordinated to any of our existing and future secured debt to the extent of the value of the collateral securing such debt. The note guarantees will rank equally in right of payment with all of the guarantors’ existing and future unsecured unsubordinated debt and senior in right of payment to all of the guarantors’ future subordinated debt. The note guarantees will be effectively subordinated to any of the guarantors’ existing and future secured debt to the extent of the value of the collateral securing such debt. In addition, the notes will be structurally subordinated to all existing and future indebtedness of our non-guarantor subsidiaries. For more information, see “Description of Notes—Subsidiary Guarantees”.

See “Risk Factors” beginning on page 16 for a discussion of certain risks that you should consider in connection with an investment in the notes.

The notes have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any jurisdiction. We are offering the notes only to qualified institutional buyers under Rule 144A under the Securities Act and non-U.S. persons outside the United States in reliance on Regulation S of the Securities Act. For a description of certain restrictions on transfer of the notes, see “Transfer Restrictions.”

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange. Our LEI code is 549300XKJ91C4SZLG750. This listing memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated July 16, 2019. Currently, there is no public market for the notes.

None of the U.S. Securities and Exchange Commission, any U.S. state securities commission or any securities regulatory authority has approved or disapproved of these securities or determined whether this listing memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The notes have not been and will not be registered with or approved by the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, or “SMV”) or the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian Securities Market Law establishes, among other things, that any particular offer may qualify as private if it is directed exclusively to institutional investors. The notes may not be offered or sold in the Republic of Peru or in any other jurisdiction except in compliance with the securities laws thereof. Other institutional investors, as defined by Peruvian legislation, must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in them.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear Bank S.A.N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking, société anonyme (“Clearstream”), on or about February 11, 2021.

Joint Book-Runners

BTG Pactual

Citigroup

Santander

The date of this Listing Memorandum is February 15, 2021

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Unless otherwise indicated or the context otherwise requires, all references in this listing memorandum to “Volcan,” the “issuer,” “Company,” “we,” “us” and words of similar effect refer to Volcan Compañía Minera S.A.A. with its consolidated subsidiaries unless the context otherwise requires.

For the sale of the notes in the United States, we are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer Restrictions.” We are not, and the initial purchasers are not, making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this listing memorandum solely to a limited number of qualified institutional buyers in the United States and in offshore transactions to persons other than U.S. persons so they can consider a purchase of the notes. We have not authorized the use of this listing memorandum for any other purpose. This listing memorandum may not be copied or reproduced in whole or in part. This listing memorandum may be distributed and its contents disclosed only to prospective investors to whom it is provided and, if you do not purchase the notes, or the offering is terminated for any reason, this listing memorandum and other related offering materials must be returned to the initial purchasers. This listing memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the notes. Distribution of this listing memorandum to any person other than the offeree and any person retained to advise such offeree is unauthorized, and any disclosure of any of the contents hereof without our prior written consent is prohibited. By accepting delivery of this listing memorandum, you agree to these restrictions. See “Transfer Restrictions.”

The market information in this listing memorandum has been obtained from publicly available sources deemed by us to be reliable. Such information has been accurately reproduced and as far as we are aware and are able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. We and the initial purchasers cannot assure you that such information provided to us is accurate or complete. This listing memorandum summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this listing memorandum. In making an investment decision, you must rely solely on your own examination of us and the terms of the offering and the notes, including the merits and risks involved.

The notes have not been and will not be registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, or “SMV”) or the Lima Stock Exchange (Bolsa de Valores de Lima). Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian Securities Market Law, approved by Legislative Decree No. 861, whose sole text was enacted by Supreme Decree No. 093-2002-EF, as amended (*Ley del Mercado de Valores*), establishes, among other things, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

We are not making any representation to any purchaser regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this listing memorandum to be legal, business, tax or other advice or recommendation with respect to any investment. You should consult your own counsel, accountant, business advisor and tax advisor for legal, tax, business and financial advice regarding any investment in the notes.

We are responsible for the information contained in this listing memorandum. We confirm that, after having made all reasonable inquiries, this listing memorandum contains all information with regard to us and the notes that is material to the offering and sale of the notes, that the information contained in this listing memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this listing memorandum which, by their absence herefrom, make this listing memorandum misleading. We have not, and the initial purchasers have not, authorized any person to provide you with different information or to make any representation not contained in this listing memorandum. You should assume that the information contained in this listing memorandum is accurate only as of the date on the front cover of this listing memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

By purchasing any of our notes, you will be deemed to have acknowledged that: (1) you have received a copy and have reviewed this listing memorandum; (2) you have had an opportunity to review all financial and other information considered by you to be necessary to make your investment decision and to verify the accuracy of, or to supplement, the information contained in this listing memorandum and have been offered the opportunity to ask us questions, and received answers, as you deemed necessary in connection with your investment decision; (3) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; (4) the initial purchasers are not responsible for, and are not making any representation to you concerning us, our future performance or the accuracy or completeness of this listing memorandum and they take no responsibility with respect to the information contained herein; and (5) no person has been authorized to give any information or to make any representation concerning us or the notes or the offer and sale of the notes, other than as contained in this listing memorandum.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this listing memorandum.

We reserve the right to withdraw this offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

You must comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this listing memorandum and the purchase, offer or sale of the notes and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “IDD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”).

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “UK Prospectus Regulation”).

Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

This listing memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order; (c) are outside the United Kingdom; or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This listing memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this listing memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The distribution of this listing memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. We and the initial purchasers require persons in possession of this listing memorandum to inform themselves about and to observe any such restrictions. This listing memorandum does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or invitation would be unlawful.

The contents of our website do not form part of this listing memorandum.

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC, and registered in our name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. We expect the Regulation S global notes, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through Euroclear and Clearstream or other participants. See “Description of Notes” and “Form of Notes, Clearing and Settlement” for further discussion of these matters.

STABILIZATION

In connection with the issue of the notes, Citigroup Global Markets Inc. (the “Stabilization Manager”) (or any person acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes during the stabilisation period at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilization action may begin on or after the date of the adequate public disclosure of the terms of the offer of the notes and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. Any stabilization action or over-allotment must be conducted by the Stabilization Manager (or any person acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilization Manager (or persons acting on their behalf) and on the Lima Stock Exchange.

ADDITIONAL INFORMATION

We have agreed that while any notes remain outstanding and are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act, we will make available, upon request, to any holder or prospective purchaser of notes the information required pursuant to Rule 144A(d)(4) under the Securities Act with respect to us during any period in which we are not subject to Section 13 or 15(d) of the Exchange Act or exempt by virtue of Rule 12g3 2(b) thereunder. Any such request should be directed to us at our principal office at Av. Manuel Olguín 373, Santiago de Surco, Lima, Republic of Peru (“Peru”).

We are a publicly held corporation (*sociedad anónima abierta*). Our common shares are registered with the Public Registry of Securities and Brokers (*Registro Público del Mercado de Valores*) of the SMV and listed on the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, we are currently required to file certain information in Spanish with the SMV and the Lima Stock Exchange such as quarterly and annual reports and notices of material events (*hechos de importancia*). All such reports and notices are available at www.smv.gob.pe and www.bvl.com.pe. The documents filed with the SMV and the Lima Stock Exchange are not a part of this listing memorandum and are not incorporated by reference herein.

ENFORCEMENT OF JUDGMENTS

We are incorporated as a publicly held corporation (*sociedad anónima abierta*) under the laws of Peru. Substantially all of our directors and officers, as well as certain of the experts named herein, reside in Peru or elsewhere outside the United States and a substantial portion of their assets may be, and substantially all of our assets are, located in Peru or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside Peru upon us or upon any of our directors or officers or to enforce against such parties in courts outside Peru judgments predicated solely upon the civil liability provisions of the federal securities laws of the United States or other foreign regulations. In addition, there may be doubt as to whether the courts of Peru would enforce in all respects, to the same extent and in as timely a manner as a U.S. court or foreign court, an action predicated solely upon the civil liability provisions of the U.S. federal securities laws or other foreign regulations.

We have been advised by Payet, Rey, Cauvi, Pérez Abogados, our Peruvian counsel, that any final and conclusive judgment for a fixed and definitive sum obtained against us and/or any of the guarantors in any foreign court having jurisdiction in respect of any suit, action or proceeding against us and/or any of the guarantors for the enforcement of any of the obligations assumed under this listing memorandum or the notes would, upon request, be deemed valid and enforceable in Peru through an *exequatur* judiciary proceeding (which does not involve the reopening of the case or reexamination of the merits of the case), provided that: (a) there is in effect a treaty between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments; or (b) in the absence of such a treaty, the original judgment is ratified by the Peruvian courts (*Cortes de la República del Perú*), provided that the following conditions and requirements are met: (i) the foreign judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated by this listing memorandum or the notes are not matters under the exclusive jurisdiction of Peruvian courts); (ii) the relevant foreign court had jurisdiction under its own conflicts of law rules and under general principles of international procedural jurisdiction; (iii) the defendant was served in accordance with the laws of the place where such proceeding took place, was granted a reasonable opportunity to appear before such foreign court, and was guaranteed due process rights; (iv) the foreign judgment has the status of *res judicata* in the jurisdiction of the court rendering such judgment; (v) there is no pending litigation in Peru between the same parties for the same dispute, which shall have been initiated before the commencement of the proceeding that concluded with the foreign judgment; (vi) the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law unless such foreign judgment was rendered first; (vii) the foreign judgment is not contrary to public policy (*orden público*) or good morals (*buenas costumbres*) of Peru; (viii) it is not proven that the foreign court that rendered the foreign judgment denies enforcement of Peruvian judgments or engages in a review of the merits thereof; (ix) a copy of such judgment has been (a) in case of jurisdictions that are party to the 1961 Hague Convention Abolishing the Requirements of Legalization of Foreign Public Documents ("The Hague Apostille Convention"), duly apostilled by the competent authority of the jurisdiction of the issuing court, or (b) in case of jurisdictions that are not party to The Hague Apostille Convention, certified by Peruvian consular authorities and, in each case, is accompanied by a certified and officially translated copy of such judgment into Spanish by a Peruvian Certified translator; and (x) the applicable court taxes or fees have been paid.

We have no reason to believe that any of our obligations relating to the notes would be contrary to Peruvian public policy (*orden público*), good morals (*buenas costumbres*) and international treaties binding upon Peru or generally accepted principles of international law.

Some of our properties could be subject to the exemption set forth under Article No. 616 of the Peruvian Civil Procedure Code (Legislative Decree No. 768, whose sole unified text was approved through Ministerial Resolution No. 10-93-JUS) pursuant to which the property of any private entity assigned to render essential public services may not be subject to preliminary attachments (*medida cautelar*) that could affect the normal rendering of such services.

In the past, Peruvian courts have enforced judgments rendered in the United States based on legal principles of reciprocity and comity. However, the United States does not currently have a treaty with Peru providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal

securities laws, may not be enforceable, either in whole or in part, in Peru. However, if the party in whose favor such unenforced final judgment was rendered brings a new suit in a competent court in Peru, such party may submit to the Peruvian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against us and/or of the guarantors may be regarded by a Peruvian court only as evidence of the outcome of the dispute to which such judgment relates, and a Peruvian court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Peru.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This listing memorandum contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as “anticipate,” “estimate,” “forecasts,” “approximate,” “expect,” “project,” “intend,” “plan,” “believe,” “will,” “may” and other words of similar meaning in connection with any discussion of future operating or financial matters. Such statements are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Without limiting the generality of the foregoing, forward-looking statements in this listing memorandum include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures, including taxes, as well as projected demand or supply for our products. Actual results could differ materially depending upon factors including the risks and uncertainties relating to general Peruvian and international economic and political conditions, the cyclical and volatile prices of the metals we produce, other commodities and supplies, including fuel and electricity, availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, epidemics and pandemics, including the ongoing SARS-CoV-2 (“COVID-19”) pandemic, and other health outbreaks, cyber-attacks and system integrity, lower than expected ore grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks, as well as political and economic risk associated with our operations. Results of operations are directly affected by metals prices, which can be volatile. These statements involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We have based these forward-looking statements on current expectations and assumptions about future events. While we consider these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. The risks and uncertainties that may affect our operations, performance and results and the forward-looking statements include, but are not limited to, those set forth under “Risk Factors.”

PRESENTATION OF FINANCIAL INFORMATION

Currencies and Exchange Rates

Unless otherwise specified herein or the context otherwise requires, in this listing memorandum references to “Peru” are to the Republic of Peru; references to the “Peruvian government” are to the government of the Republic of Peru; references to the “United States” or the “U.S.” are to the United States of America; references to “US\$” and “U.S. dollars” are to United States dollars, and references to “S/” and “soles” are to Peruvian soles.

Unless otherwise indicated, translations of sol amounts into U.S. dollars in this listing memorandum have been made at the period-end rates of each corresponding period. For a complete description of the exchange rates between the sol and the U.S. dollar, see “Exchange Rates.” The Federal Reserve Bank of New York does not report a noon buying rate for soles.

Financial Statements

Our audited consolidated financial statements included in this listing memorandum fairly represent our financial position as of December 31, 2018 and 2019 and our results of operations for each of the two years ended December 31, 2018 and 2019. Our unaudited interim condensed consolidated financial statements included in this listing memorandum fairly represent our financial position as of September 30, 2020 and our results of operation for the nine months ended September 30, 2019 and 2020.

Our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 have been audited by Velásquez, Mazuelos y Asociados S. Civil de R.L., member firm of Deloitte Touche Tohmatsu Limited.

Special Note Regarding Non-IFRS Financial Measures

We prepare our financial statements in U.S. dollars and in conformity with International Financial Reporting Standards (“IFRS”), as adopted by the International Accounting Standards Board (“IASB”) and, in respect of our unaudited interim condensed consolidated financial statements as of September 30, 2020 and for the nine months ended September 30, 2019 and 2020, with conformity with IAS 34.

This listing memorandum presents our EBITDA and Adjusted EBITDA information for the convenience of investors. EBITDA and Adjusted EBITDA are presented because we deem them to better represent our operating and economic performance, although they are not IFRS-based measures of liquidity or performance. EBITDA is calculated as net (loss) profit for the year/period before income tax expense, financial expenses (income), depreciation and amortization during such period. Adjusted EBITDA is calculated by eliminating from the calculation of EBITDA: (a) any non-recurring items during such period, (b) gains or losses on the sale of property (other than the sale of property in the ordinary course of business) during such period, (c) any other non-cash items deducted from or included in the calculation of pre-tax net income for such period (other than items that will require cash payments and for which an accrual or reserve has been, or is required by IFRS to be, made), and (d) foreign exchange gains or losses upon loans and foreign currency translation adjustments or monetary correction and bank charges. We believe that EBITDA and Adjusted EBITDA, while providing useful information, should not be considered in isolation or as a substitute for net income as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity. Additionally, our calculation of EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore, comparability may be affected.

As used in this listing memorandum, “cash cost” is on a by-product basis, is calculated in accordance with the methodology specified by Wood Mackenzie Limited (“Wood Mackenzie”) for determination of C1 cost (cash cost) and includes all direct cash costs of mining, including costs associated with extraction, leaching and further processing of metal ores into refined metal, as well as labor, transportation and physical plant costs associated with those processes, and net of income from sales of by-products. Cash cost figures are given as nominal dollar amounts, usually expressed as cents per pound, and exclude provisions, amortization, depreciation and central office costs and purchases of concentrates. Cash cost is presented because it is a widely used measure of costs, although it is not an IFRS-based measure of cost. We believe that cash cost, while providing useful information, should not be considered in isolation or as a substitute for costs of sales, costs of selling and administrative expenses, or as an indicator of costs.

Rounding

Rounding adjustments have been made to figures included in this listing memorandum. Unless otherwise stated or the context otherwise requires, all financial information in this listing memorandum is rounded to the nearest one hundred thousand U.S. dollars, and percentage figures included in this listing memorandum are rounded to the nearest one-tenth of one percent. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

PRESENTATION OF COUNTRY, MARKET AND OTHER INFORMATION

This listing memorandum contains and refers to information and statistics regarding Peru and the markets of the metals we produce. These data were obtained from independent public sources, including publications and materials from participants in the industry such as Wood Mackenzie and GFMS Limited (“GFMS”), and from

governmental entities such as the Peruvian Superintendency of Banking, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* or “SBS”), the Peruvian Central Bank, the Peruvian Ministry of Economy and Finance (*Ministerio de Economía y Finanzas* or “MEF”), the Peruvian Ministry of Energy and Mines (*Ministerio de Energía y Minas*) and the Peruvian National Institute of Statistics and Information Processing (*Instituto Nacional de Estadística e Informática*, or “INEI”). Some data are also based on our estimates, which are derived from our review of internal reports, as well as independent sources. Although we believe these external sources are reliable, neither we nor the initial purchasers have independently verified, and do not make any representation as to the accuracy and completeness of, the information contained therein.

All tonnage information in this listing memorandum is expressed in metric tonnes and all references to ounces are to troy ounces, in each case, unless otherwise specified.

MINERAL RESOURCE AND RESERVE DATA

In this listing memorandum, we present our holdings in, or rights to, mineral deposits in two categories: (i) resources and (ii) reserves, as is standard in the industry. Our ore reserve and mineral resource estimates are consistent with the application of internationally used classifications. The information on reserves and resources included in this listing memorandum has been estimated following the intent of international definitions as established by the Joint Ore Reserves Committee Code of Australia (“JORC”). Such information has been prepared under the general supervision of our chief geological engineer in consultation with a recognized consultant geologist in Peru, acting as competent person. This information is not, however, typically subject to review or audit by independent or external experts.

Mineral resources are ore bodies of economic value that have been identified and evaluated through exploration, reconnaissance and sampling. Resources are estimated based on geological knowledge about the deposit, which is based on scientific concepts concerning the formation of minerals such as oxides, sulfides and mixed ores, as well as available knowledge concerning the geological continuity of the mineralized sectors. This is based on technical parameters, such as robustness of the genetic-geological model and its validation through drillings.

Resources may be subdivided further, based on the degree of knowledge that we have of their extent and composition. If our knowledge of the resources is extensive and direct, they are measured resources; if our knowledge of them is substantial but less extensive, they are indicated resources; and if our knowledge of them is only indirect, they are inferred resources. Measured resources are based on a dense grid of regularly distributed drillings, indicated resources are based on an intermediate grid of regularly distributed drillings, and inferred resources are based on irregularly, sometimes sporadically distributed drillings, where the continuity of ore grades is mostly supported by concepts on the theoretical continuity of geological events, such as lithology, alteration and mineralization. Resources that are either measured or indicated, as opposed to inferred, are sometimes together referred to as demonstrated resources. Resources of all three categories are sometimes together referred to as identified resources.

A “reserve” is that part of a mineral resource, which, at the time of determination, may be economically and legally extracted. Reserve estimates are the result of studies that take into account certain technical, economic and legal factors, which are not considered when estimating mineral resources. Reserve estimates are based on mineral resource estimates but also reflect beliefs, at the time of determination, regarding the amount of such resources that can be recovered and sold at prices in excess of the total costs associated with extraction and processing. Reserve estimates are adjusted as technical, economic and legal circumstances change. Reserves are typically first determined at the time of planning a full-scale mining project. As a result, reserves are not reported for certain of our mineral deposits. Reserves may be “proven” or “probable.” Our proven reserves are based on our measured mineral resources, while our probable reserves are based on our indicated mineral resources, in each case after undertaking studies regarding certain technical, economic and legal factors.

Estimates of mineral resources and reserves included in this listing memorandum are not measurements under SEC Industry Guide 7 and are not comparable with the estimates prepared in accordance with standards established by the SEC. In addition, some estimates of our resources presented in this listing memorandum include inferred resources, which, by definition, are estimates that are made with a low level of confidence. See “Risk

Factors—Risks Relating to Our Business—Our estimates of reserves and resources may be materially different from mineral quantities we actually recover and we depend on our ability to replenish ore reserves and resources for our long-term viability” for a description of risks relating to resources and reserve estimates.

GLOSSARY OF CERTAIN MINING TERMS

Breccia: A rock composed of broken fragments of minerals or rock cemented together that can be either similar to or different from the composition of the fragments.

Concentration: The process by which crushed and ground ore is separated into metal concentrates and reject material through processes such as flotation.

Concentrator Plant: A plant where concentration takes place.

Crushing and Grinding: The processes by which ore is broken into small pieces to prepare it for further processing.

Development: Activities related to the building of infrastructure and the stripping and opening of mineral deposits, commencing when economically recoverable reserves can reasonably be estimated to exist and generally continuing until commercial production begins.

Diamond Drilling: Diamond drilling is used in the mining industry to probe the contents of known ore deposits and potential sites. By withdrawing a small diameter core of rock from the ore deposit, geologists can analyze the core by chemical assay and conduct structural and mineralogical studies of the rock.

Exploration: Activities associated with ascertaining the existence, location, extent or quality of a mineral deposit.

Indicated Resources: Resources about which our knowledge is substantial but less extensive than our knowledge of measured resources.

Inferred Resources: Resources about which our knowledge is only indirect.

Leaching: The process of extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent.

Leaching plant: A plant where leaching takes place.

LME: London Metal Exchange.

Measured Resources: Resources about which our knowledge is both extensive and direct.

Mill: A machine used to grind ore to the consistency of powder or (in wet grinding) slurry.

Milling: A treatment process in which ore is ground into a fine powder.

Mine: Mines are the source of mineral-bearing material found near the surface or deep in the ground.

Mineral Deposit or Mineralized Material: A mineralized underground body that has been probed by a sufficient number of closely-spaced drill holes and/or underground sampling measurements to support an estimate of sufficient tonnage and ore grade to warrant further exploration or development. Mineral deposits or mineralized materials do not qualify as commercially minable ore reserves (*i.e.*, probable reserves or proven reserves), as prescribed under standards of the U.S. Bureau of Mines Circular 831 of 1980, until a final and comprehensive economic, technical, and legal feasibility study based upon the test results has been concluded.

Mineralization: A deposit of rock containing one or more minerals for which the economics of recovery have not yet been established.

Ore: A mineral or aggregate of minerals from which metal can be economically mined or extracted.

Ore Grade: The average amount of metal expressed as a percentage or in ounces per metric tonne.

Ore Deposit: Category including all resources and reserves.

Ounces: Unit of weight. A troy ounce equals 31,103 grams or 1.097 avoirdupois ounces.

Oxide Ore: Metalliferous minerals altered by weathering, surface waters, and their conversion, partly or wholly, into oxides, carbonates, or sulfates.

Porphyry: A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained groundmass.

Probable Reserves: Reserves about which our knowledge is substantial but less extensive than our knowledge of Proven Reserves.

Proven Reserves: Reserves about which our knowledge is both extensive and direct. Quantities of Proven Reserves are computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade and quality are computed from the results of detailed sampling. Sites for inspection, sampling and measurement of Proven Reserves are spaced so closely together, and the geologic character of the ore is so well defined, that its size, shape, depth and mineral content are well established.

Reclamation: The process of restoring mined land to a condition established by applicable law. Reclamation standards vary widely, but usually address issues of ground and surface water, topsoil, final slope gradients, overburden and revegetation.

Refining: The purification of crude metallic substances.

Reserves: Ore deposits for which we have established a business development plan.

Resources: Ore deposits for which we have not yet established a business development plan.

Sett: Settlement price.

SHG: Special High Grade.

Skarn: Metamorphic zone developed in the contact area around igneous rock intrusions when carbonate sedimentary rocks are invaded by large amounts of silicon, aluminum, iron and magnesium. The minerals commonly present in a skarn include iron oxides, calc-silicates, andradite and grossularite garnet, epidote and calcite. Many skarns also include ore minerals, several productive deposits of copper or other base metals have been found in and adjacent to skarns.

Tailings: Finely ground rock from which valuable minerals have been extracted by concentration.

Tonne: A unit of weight. One metric tonne equals 2,204.6 pounds. One short tonne equals 2,000 pounds. Unless otherwise specified in this document, “tonnes” refers to metric tonnes.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this listing memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. Please read the following summary together with the information set forth under the heading “Risk Factors” and in the financial statements and accompanying notes appearing elsewhere in this listing memorandum.

We are a diversified Peruvian mining company and a major global producer of zinc, silver and lead. We began operations in the early 1940s and have consistently ranked among the largest producers of these metals globally every year from 2006 to 2019, according to Wood Mackenzie and GFMS. We were the second-leading producer of zinc and lead and the third-leading producer of silver in Peru in the first nine months of 2020, according to the Ministry of Energy and Mines. We believe that the quality of our ore deposits, the efficiency of our operations and our economies of scale make us competitive among metal producers worldwide. Glencore PLC (“Glencore”), through Glencore International AG (“Glencore International”), is our controlling shareholder. See “Principal Shareholders and Description of Share Capital—Primary Shareholder” for further information on Glencore.

Our operations are divided into five main units that currently consist of eight mines in operation, six concentrator plants and one leaching plant extending across the Junin and Pasco departments in Peru, with the largest mine accounting for approximately 16% of our 2019 treated tonnage. Our mining units are all located between 170 and 295 kilometers from Lima, in the Central Andean region, a center of mining activity in Peru for centuries. As of December 31, 2019, our proven and probable reserves represented an average mine life of six years at 2019 production levels and our resources supported 13 additional years of average mine life (in each case, excluding the Cerro de Pasco Unit and the Óxidos de Pasco Unit, each as defined below). We have 354,000 hectares of concessions in a region with high geological potential, 58% of which remain unexploited and unexplored.

In the nine-month period ended September 30, 2020, we had sales of US\$355.6 million, net loss of US\$69.7 million and Adjusted EBITDA (as defined below) of US\$102.7 million. In the first nine months of 2020, zinc represented 44%, silver represented 39%, lead represented 12%, gold represented 3% and copper represented 2% of our sales by value. For the year ended December 31, 2019, we had sales of US\$743.6 million, net loss of US\$70.3 million and Adjusted EBITDA of US\$244.1 million. In 2019, zinc represented 56%, silver represented 27%, lead represented 11%, gold represented 4% and copper represented 2% of our sales by value. In 2019, concentrator plants treated 7.9 million dry tonnes of ore grading 3.5% zinc, 1.9 silver ounces per tonne, 0.8% lead and 0.1% copper, and the Oxides leaching plant treated 0.9 million dry tonnes of ore grading 8.8 silver ounces per tonne and 0.7 gold grams per tonne. We are currently developing projects to expand our production, including the Romina, Carhuacayán, Zoraida and Palma projects. See “Business—Growth Projects.” For a reconciliation of Adjusted EBITDA to profit for the period/year, see “Selected Consolidated Financial Data.”

Our main units are:

- **Yauli.** The Yauli unit (the “Yauli Unit”) is comprised mainly of four underground mines producing an aggregate of approximately 3.2 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at three concentrator plants, Victoria, Andaychagua and Mahr Tunel, with an aggregate processing capacity of 11,400 tonnes of ore per day. In 2019, this unit produced approximately 140,900 tonnes of zinc, 7.0 million ounces of silver, 20,000 tonnes of lead and 2,900 tonnes of copper, representing approximately 50% of our sales by value. As of December 31, 2019, this unit’s proven and probable reserves represented an average mine life of seven years at 2019 production levels. In addition, its resources supported nine additional years of average mine life.
- **Chungar.** The Chungar unit (the “Chungar Unit”) is comprised of two underground mines producing an aggregate of approximately 1.7 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at a concentrator plant, which has a processing capacity of 5,200 tonnes of ore per day. In 2019, this unit produced approximately 74,700 tonnes of zinc, 3.2 million ounces of silver, 18,400 tonnes of lead and 1,200 tonnes of copper, representing approximately 28% of our sales by value. As of December 31, 2019, this unit’s proven and probable reserves represented an average mine life of six years at 2019 production levels. In addition, its resources supported 11 additional years of average mine life.

- *Óxidos de Pasco.* The Óxidos de Pasco unit (the “Óxidos de Pasco Unit”) consists of one lixiviation plant, which has a processing capacity of 2,500 tonnes of ore per day. In 2019, this unit produced approximately 3.4 million ounces of silver and 15,400 thousand ounces of gold, representing approximately 10% of our sales by value.
- *Alpamarca.* The Alpamarca unit (the “Alpamarca Unit”) is comprised of an open pit mine producing an aggregate of approximately 0.9 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at a concentrator plant, which has a processing capacity of 2,500 tonnes of ore per day. In 2019, this unit produced approximately 5,900 tonnes of zinc, 1.2 million ounces of silver, 4,700 tonnes of lead and 400 tonnes of copper, representing approximately 5% of our sales by value. As of December 31, 2019, this unit’s proven and probable reserves represented an average mine life of two years at 2019 production levels.
- *Cerro de Pasco.* The Cerro de Pasco unit (the “Cerro de Pasco Unit”) consists of an open pit mine and mineral stockpiles producing an aggregate of approximately 2.1 million tonnes per year of ore bearing zinc, silver and lead. The ore is treated at one concentrator plant, which has an aggregate processing capacity of approximately 7,000 tonnes of ore per day. In 2019, this unit produced approximately 17,500 tonnes of zinc, 0.8 million ounces of silver and 6,300 tonnes of lead, representing approximately 6% of our sales by value.

In addition to the main units above, we are also developing a number of projects in our mines, including the Romina project, which consists of a zinc, lead and silver polymetallic mineralization in the form of replacement bodies. For additional information on the Romina and other projects, please see “Business—Growth Projects.”

Furthermore, in January 2019, we signed agreements with Cosco Shipping Ports Limited (“CSPL”) for the development of the Chancay port, a natural port with a depth of up to 16 meters located 80 kilometers north of Lima. Once completed, the port is expected to include two specialized terminals, one of which would be a container terminal that would include 11 berths and the other would be destined for bulk cargo, general cargo and rolling cargo, with four berths. It is expected that the port will be able to receive the world’s largest Triple E-type vessels. The Chancay port is owned by Cosco Shipping Ports Chancay Perú S.A. (“CSPCP”), with CSPL holding 60% of the ownership interests thereof and us owning the remaining 40%. The total estimated cost of the first stage of the project is approximately US\$1.3 billion, which is expected to be partially financed by a project finance loan without recourse to us in the amount of US\$0.9 billion. As of the date of this listing memorandum, CSPCP has not yet entered into the loan agreement. Additionally, we have a wholly owned project for a logistics and industrial complex for the Chancay port covering approximately 800 hectares that will be connected to the entrance of the Chancay port and is expected to provide logistics services, commercial and business services, services to clients and industrial value-added services.

Impact of COVID-19

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy and our operations. In order to contain the spread of COVID-19 in Peru, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering a mandatory lockdown and the total closure of Peru’s borders, while guaranteeing access to essential goods and services. In accordance with these restrictions, we limited our operations to those which were strictly necessary to ensure that our essential services and minimum safety conditions were maintained. Other than in respect of these operations, our mining processing facilities completely halted between March 17, 2020 and May 18, 2020. While some of these restrictions have since been lifted in connection with the Peruvian government’s phased approach to re-opening the economy, we can offer no assurance that they will not be reimposed. In addition, implementation of mandatory health protocols such as social distancing, employee quarantines, and regular COVID-19 screenings has restricted and continues to restrict our operational capacity and increased costs. The COVID-19 pandemic also temporarily negatively affected metal prices. These impacts did have a material adverse effect on our results of operations and financial condition for the nine-month period ended September 30, 2020 as compared to the nine-month period ended September 30, 2019. For example, in the nine-month period ended September 30, 2020, we had net sales of US\$355.6 million, a net loss of US\$69.7 million, and Adjusted EBITDA of US\$102.7 million, compared to net sales of US\$536.3 million, a net loss of US\$17.3 million and Adjusted EBITDA of US\$172.5 million in the nine-month period ended September 30, 2019.

These results reflect US\$24.6 million in costs related to our COVID-19 pandemic operational stoppage. Furthermore, on January 26, 2021, the Peruvian government announced a lockdown of Lima and nine other regions from January 31 until at least February 14, 2021. While this new lockdown does not restrict the activities of the mining industry, including our activities, the ultimate severity of the pandemic's impact on us remains uncertain. See "Risk Factors—Risks Relating to Our Business—An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Business and Results of Operations" below for further information.

Changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may further restrict our existing operations and require extensive system and operating changes that may be difficult or costly for us to implement. The ultimate impact of the COVID-19 outbreak remains uncertain at this time.

Competitive Strengths

We believe that the following competitive strengths will provide us with a significant advantage as we execute our business strategy:

- *Strong Market Position as a Major Global Producer of Zinc, Silver and Lead.* We have consistently ranked among the largest producers of zinc, silver and lead globally every year from 2006 to 2019, according to Wood Mackenzie and GFMS. We are the second-leading producer of zinc and lead and the third-leading producer of silver in Peru in the nine first months of 2020, according to the Ministry of Energy and Mines. Our relative size and proven ability to deliver significant volumes across several key metals makes us a significant supplier to a broad client base. Our clients are major global commodity traders and refineries. As a result, we have significant negotiating leverage and typically obtain very competitive commercial terms for our products.
- *Low-Cost Operations.* We believe that the quality and richness of our ore deposits, the efficiency of our operations and our economies of scale make us one of the lowest cost metal producers worldwide. This advantage results primarily from the composition and grade of our ore and our significant by-product credits. In 2019, our by-product cash cost was US\$1,216 per tonne in the case of zinc and US\$(4.1) per ounce in the case of silver, and in the first nine months of 2020, our by-product cash cost was US\$1,093 per tonne in the case of zinc and US\$4.6 per ounce in the case of silver.
- *Significant Reserves in an Extensive Concession Area.* As of December 31, 2019, our proven and probable reserves represented an average mine life of six years at 2019 production levels (excluding the Cerro de Pasco Unit and Óxidos de Pasco Unit). In addition, our resources supported 13 additional years of average mine life. We are currently exploiting only 20% and exploring an additional 22% of our approximately 354,000 hectares of concessions in a region with high geological potential.
- *Mix of Low-Correlation Metals.* The diversified mix of base and precious metals we produce reduces volatility in our earnings caused by commodity price cycles, because silver prices and prices for our base metals have historically exhibited low correlation. Silver prices have shown resilience in times of economic uncertainty because silver is seen as store of value in addition to its uses in industrial processes. Diversification allowed us to mitigate some of the negative effects of the COVID-19 pandemic on our business, particularly in the in the early months of the pandemic when prices of certain metals decreased.
- *Leading Producer in an Attractive Mining Jurisdiction.* Our concessions are located in Peru, which has shown economic resilience over time and has a long history in the mining industry. Our mining units are located in the Central Andean region, home to a number of well-known international and local mining companies, including Buenaventura, Chinalco, Glencore and Nexa Resources, S.A. This region has a developed infrastructure of electricity, roads, railroads, water reservoirs and township facilities, as well as a trained labor force, local supply chains and communities with long-standing ties to the mining industry. Announced investments for mining projects in Peru amounted to US\$2.9 billion in the first nine months of 2020. We ranked second in the production of zinc and lead and third in the production of silver in Peru in

the first nine months of 2020, according to the Ministry of Energy and Mines. In 2019, Peru was the leading producer of silver and the second largest producer of zinc and copper worldwide. As of December 31, 2019, Peru accounted for 21%, 10% and 8% of global silver, copper, and zinc reserves, respectively, according to the United States Geological Survey.

- *Long History of Operating in Cooperation with Surrounding Communities.* Since we were founded over 70 years ago, we have been working closely with the communities surrounding our operations. We are committed to upholding our tradition of building and developing strong relationships with local communities by providing employment and demand for local products and services and investing in community development programs. As of September 30, 2020, we have entered into 69 agreements with local communities that mainly provide for the use of land for our operations.
- *Diversified Operational Base and Logistical Network.* Our operations are divided in five main operating units that currently consist of eight mines in operation, six concentrator plants and one leaching plant extending across the Junin and Pasco departments in Peru, with the largest mine accounting for approximately 16% of our 2019 production. The mining units have access to multiple energy sources and transport routes connecting them to refineries and port facilities in Peru. We believe that our mines and processing facilities provide a diversified operational base and redundant logistical network that reduce the risk of significant disruptions to our operations.
- *Qualified and Experienced Management.* Our workforce and management have extensive experience in the Peruvian mining industry. Our management has a proven track record of developing large mining prospects and consists of seasoned industry professionals with executive experience in leading global companies. We believe that our extensive experience has resulted in our ability to manage our operations cost-effectively and maintain profitability through different commodity price cycles.
- *Financial Strength and Flexibility.* Our strong cash flow has provided us with flexibility to finance our operations and make capital expenditures through commodity price cycles. For the nine months ended September 30, 2020, we had Adjusted EBITDA of US\$102.7 million despite the negative impact of the restrictions on economic activity in Peru due to the COVID-19 pandemic. See “Risk Factors—Risks Relating to Our Business—An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations.” We had Adjusted EBITDA of US\$244.1 million in 2019. As of September 30, 2020, our total consolidated financial debt was US\$909.6 million, excluding accrued interest, as compared to US\$798.3 million, excluding accrued interest, as of September 30, 2019.
- *ESG/Sustainability.* We are committed to seeking positive returns in a sustainable way. Therefore, our management handles our business and operations taking into account long-term impacts on society and the environment. Our business is focused on generating a positive impact in the communities in which we operate, identifying and preventing potential negative environmental impacts and ensuring the health and safety of our workers.
- *Glencore’s Capabilities as Key Shareholder.* Glencore, through Glencore International, owns 55% of our Series A shares representing 22% of our capital stock. Glencore is one of the world’s largest and globally diversified natural resource companies. As such, we benefit from Glencore’s sound technical and operational expertise in the mining industry derived from a solid operational track-record, a global presence and best practices within the industry; as well as from Glencore’s management expertise and financial capabilities. See “Principal Shareholders and Description of Share Capital—Primary Shareholder” for additional information on Glencore.

Business Strategy

Our strategy is focused on consolidating our position as a world-class diversified mining company. We are investing in increasing our base and precious metals production. We prioritize operational excellence while upholding the highest standards of health, safety and environmental compliance and maintaining close community and labor relations and financial discipline. In order to implement our strategy, we intend to execute the following key initiatives:

- *Expand Production.* We plan to continue consolidating and growing our product portfolio. For this purpose, we are currently engaged in the Romina project to expand our zinc, lead and silver production, which is expected to represent an investment of more than US\$130 million over the next three years, if executed according to current plans. We believe that we will benefit from the strong fundamentals we anticipate for these three metals. We also continuously evaluate opportunities to make acquisitions to expand our operations and resource base. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures,” “Business—Growth Projects” for additional detail on our capital expenditure plan.
- *Continue Exploration Efforts.* We are currently exploiting only 20% and exploring an additional 22% of our approximately 354,000 hectares of concessions in a region with high geological potential. We plan to continue our exploration efforts throughout this territory and will seek to identify new prospects in the 80% of our unexploited and unexplored concessions. We plan to make capital expenditures of approximately US\$60.0 million in connection with exploration activities outside our current area of operations over the next five years.
- *Commit to Operational Excellence and Efficiency.* We are focused on maintaining our strategic position as a low-cost producer in the industry by implementing a number of improvements in our productivity and operational efficiency. We are also investing in infrastructure at several of our mining operations, including the construction of ramps and shafts to reduce mineral extraction and transportation times and costs. In addition, we plan to continue making significant investments in technology, such as communications and tracking systems, which are expected to result in safer and more efficient mining operations. Our existing hydroelectric plants have a gross installed capacity of 63 MW. We believe that our electricity generation capacity will help us maintain our operational efficiency. It is important to highlight that as we evaluate our core and non-core business, we are in the preliminary stages of considering sales of three of our non-core hydroelectric plants: the Rucuy 20 MW hydroelectric plant (the “Rucuy Plant”), the Huanchor 20 MW hydroelectric plant (the “Huanchor Plant”) and the 1.25 MW Tingo hydroelectric plant (the “Tingo Plant”). We also own 350 km of transmission lines and 26 electrical substations.
- *Focus on Social Responsibility and High Standards in Health, Safety and Environmental Stewardship.* We are committed to world-class industry practices in the areas of health, safety and environmental management. Our activities are subject to regular internal audits that follow internationally accepted norms and we have a long history of obtaining and renewing international health, safety and environmental certifications. Our health, safety and environmental management policies include investments in technology, the implementation of emergency response programs and regular employee training, among other strategies, which are also expected to enhance our efficiency. We are closely engaged with the communities located near where we operate and plan to continue to invest in community development programs.
- *Attract and Retain World Class Personnel.* We will strive to attract and retain the most talented personnel, empowering them and creating for them the best environment in which to maximize their personal growth and enhance their contribution to the company. We are focused on developing world class human resources processes to help us motivate and retain key personnel.
- *Maintain a Strong Balance Sheet and Liquidity Profile.* We intend to maintain a strong balance sheet in order to manage metal price and demand volatility through future commodity cycles. We expect to execute on this strategy through conservative financial policies and a measured approach to investments in new projects and prospects.

Concurrent Tender Offer

Concurrently with the offering of the notes, we are offering to purchase for cash up to US\$120,000,000 of the US\$535,264,000 we have outstanding of our 5.375% notes due 2022 (the “2022 Notes”) (the “Tender Offer”) pursuant to the terms of, and subject to the conditions set forth in an offer to purchase dated as of February 1, 2021 and related documents (the “Tender Offer Documents”). The Tender Offer is conditional upon our receiving the

financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the 2022 Notes, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. We expect to finance the Tender Offer with a part of the proceeds from the issuance of the notes. We may waive any of these conditions at our sole discretion. We cannot assure you that the Tender Offer will be consummated. This offering is not conditioned on the successful consummation of the Tender Offer. Should the Tender Offer not be consummated, we intend to use the proceeds from this offering to fully repay the US\$300,000,000 aggregate principal amount outstanding under our Credit Facility (as defined below), to fully repay the US\$30,625,000 aggregate principal amount outstanding under our Credit Agreement (as defined below) and to repay other short and medium-term indebtedness. Any remaining balance in the proceeds will be used for general corporate purposes. This listing memorandum does not constitute an offer to purchase 2022 Notes pursuant to the Tender Offer. An offer to purchase the 2022 Notes will be made solely on the terms and subject to the conditions set forth in a separate offer to purchase that will be directed to holders of the 2022 Notes.

Recent Developments

Capital Increase

On January 19, 2021, our board of directors voted unanimously to recommend a capital increase of up to US\$400,000,000 to our shareholders in order to improve our capital structure. This capital increase remains subject to shareholder approval of definitive terms and conditions at the annual mandatory shareholders meeting, which subject to SMV rules, occurs in March of each year. As of the date of this listing memorandum, we cannot offer any assurance that the capital increase will be approved by our shareholders, that the full amount will be subscribed or that minority shareholders will exercise their preemptive rights.

Expected 2020 Year-end Results

As of the date of this listing memorandum, our 2020 year-end financial results are not yet available. However, we currently expect that those results will show a material decrease in our revenues and hence net loss in amounts that cannot yet be determined but are expected to be significant in comparison to our 2019 results given the trends we observed for the nine-month period ended September 30, 2020. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information. In particular, we were negatively affected by the COVID-19 pandemic as our operations were required to shut down for two months as part of the Peruvian government’s COVID-19 response measures. When our operations resumed, we were forced to operate at decreased capacity in order to comply with health protocols to reduce the spread of COVID-19 such as social distancing and employee quarantines. We also experienced an increase in costs as a result of the implementation of other COVID-19 health protocols, including regular employee testing and creation of medical and isolation areas to control, monitor, and treat positive cases. We believe that our 2020 year-end financial results will generally reflect the trends disclosed in this listing memorandum for the nine-month period ended September 30, 2020. In addition, we believe that our fourth quarter 2020 financial results should generally be in line with the improvement that we realized in the third quarter of 2020 primarily due to higher commodity prices and higher sales volumes, despite a challenging operating environment due to the effect of COVID-19 health protocols and related impacts on the Peruvian economy.

We may not achieve the expected fourth quarter or 2020 year-end financial results. Factors beyond our control, including but not limited to the market and economic conditions (including macroeconomic and other challenges and uncertainties, for example, resulting from the COVID-19 pandemic), changes in laws, rules or regulations and other challenges discussed herein, could limit our ability to achieve some or all of the expected results. See “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.”

Termination of Purchase Agreement in respect of Sales of Certain of our Subsidiaries

On November 27, 2019, we entered into a share purchase agreement with a buyer relating to the sale and purchase of our entire ownership interest (held through us, Compañía Minera Chungar S.A.C. (“Compañía Minera Chungar”), and Empresa Explotadora de Vinchos Ltda. S.A.C. (“Empresa Explotadora de Vinchos”)) in Óxidos de Pasco S.A.C. (“Óxidos de Pasco”), Empresa Administradora Cerro S.A.C. (“Empresa Administradora Cerro”) and Remediadora Ambiental S.A.C. (“Remediadora Ambiental”). On October 31, 2020, the share purchase agreement

was terminated due to the failure to satisfy certain conditions precedent set forth therein. As a result of this termination, our 2020 year-end results will reflect the reversal of such assets and liabilities from the line items “assets held for sale” and “liabilities directly associated with assets classified as assets held for sale,” respectively. As of the date of this listing memorandum, we do not have any pending sale discussions relating to these entities.

Corporate Information

We are a publicly held corporation, or *sociedad anónima abierta*, organized under the laws of Peru. Our shares are listed on the Lima Stock Exchange, Santiago Offshore Stock Exchange and Madrid Latibex Stock Exchange. Our principal executive office is located at Av. Manuel Olguín 373, Santiago de Surco, Lima, Peru, and our telephone number is +51-1-416-7000.

The Offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled “Description of Notes” in this listing memorandum.

Issuer	Volcan Compañía Minera S.A.A.
Guarantors	Compañía Minera Chungar, Empresa Administradora Cerro, Óxidos de Pasco. See “Description of Notes—Subsidiary Guarantees.”
Notes Offered	US\$475,000,000 aggregate principal amount of 4.375% Senior notes due 2026.
Maturity	February 11, 2026.
Interest	The notes will bear interest at the rate of 4.375% per annum, payable in arrears on February 11 and August 11 of each year, beginning on August 11, 2021.
Issue Price	100.000% of the principal amount thereof, plus accrued interest, if any, from February 11, 2021.
Ranking	The notes and the guarantees will be senior unsecured obligations of the issuer and the guarantors and will rank equally in right of payment with all of our and the guarantors’ existing and future senior unsecured indebtedness, other than with respect to certain obligations given preferential treatment pursuant to applicable laws. The notes and the guarantees will rank senior in right of payment to all of ours and the guarantors’ future subordinated indebtedness, if any. The notes and the guarantees will be effectively subordinated to all of our and the guarantors’ existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. We have, and after the offering of the notes will continue to have, a significant amount of indebtedness. As of September 30, 2020, after excluding intercompany balances and intercompany guarantees, calculated on a pro forma basis and adjusted to give effect to this offering of notes, including the application of the net proceeds thereof, as if all such transactions had occurred on September 30, 2020, we and the guarantors had US\$933.6 million of outstanding consolidated indebtedness.
Use of Proceeds	The gross proceeds from the sale of the notes are estimated to be US\$475,000,000 before deduction of certain transaction fees and expenses, which are estimated at approximately US\$7.0 million. We intend to use the proceeds from the sale of the notes to: • purchase for cash up to US\$120,000,000 aggregate principal amount of our outstanding 2022 Notes (and to pay related expenses thereunder); • fully repay the US\$300,000,000 aggregate principal amount outstanding under our Credit Facility (as defined below); • fully repay the US\$30,625,000 aggregate principal amount outstanding under our Credit Agreement (as

defined below); and

- the remainder for general corporate purposes.

Should the Tender Offer not be consummated, we intend to use the proceeds from this offering to fully repay the US\$300,000,000 aggregate principal amount outstanding under our Credit Facility (as defined below), to fully repay the US\$30,625,000 aggregate principal amount outstanding under our Credit Agreement (as defined below) and to repay other short and medium-term indebtedness. Any amounts that we repay under the Credit Facility (as defined below) and the Credit Agreement (as defined below) with the proceeds of this offering of notes corresponds to amounts payable to certain of the initial purchasers and/or certain of their affiliates. Any remaining balance in the proceeds will be used for general corporate purposes.

Optional Redemption..... Before February 11, 2023, we may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of each note to be redeemed plus a make-whole premium described in “Description of Notes—Optional Redemption—Optional Redemption with a Make-Whole Premium.”

At any time on or after February 11, 2023, we may redeem the notes, in whole or in part, at the redemption prices specified under “Description of Notes—Optional Redemption.”

In addition, at any time prior to February 11, 2023, we may redeem up to 35% of the notes with the net cash proceeds from specified equity offerings at a redemption price equal to 104.375% of the principal amount of each note to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Optional Redemption Upon Tax Event The notes are also redeemable at our option, in whole but not in part, at any time, at the principal amount thereof plus accrued and unpaid interest, if any, and any additional amounts due thereon to, but excluding, the redemption date if certain changes in applicable tax laws occur. See “Description of Notes—Optional Redemption—Optional Redemption Upon Tax Event.”

Change of Control Offer..... Upon the occurrence of a Change of Control Triggering Event (as defined in “Description of Notes—Change of Control Triggering Event” and “—Certain Definitions”), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the date of purchase. See “Description of Notes—Change of Control Triggering Event” and “—Certain Definitions.”

Covenants The indenture governing the notes will, among other things, limit our ability to:

- incur additional indebtedness;
- make dividend payments or other restricted payments;
- sell assets;
- enter into sale and leaseback transactions;

- designate unrestricted subsidiaries and non-guarantor restricted subsidiaries;
- create or assume indebtedness for borrowed money that is secured by a lien; and
- engage in mergers, consolidations and transfers of substantially all of our assets.

However, these covenants are subject to a number of significant exceptions.

See “Description of Notes—Covenants.”

Events of Default.....	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, and any other amounts due with respect to the notes, see “Description of Notes—Events of Default.”
Book-Entry System; Delivery and Form and Denomination of the Notes	The notes will be issued only in fully registered form, without interest coupons, in the form of beneficial interests in respect of one or more global securities in denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof. Beneficial interests in respect of the global securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. The notes will not be issued in definitive form except under certain limited circumstances.
Governing Law	The notes, the guarantees and the indenture will be governed by the laws of the State of New York.
Listing.....	We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Trustee, Registrar, Paying Agent and Transfer Agent.....	Citibank, N.A.
Luxembourg Listing Agent, Paying Agent and Transfer Agent.....	Banque Internationale à Luxembourg S.A.
Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. See “Transfer Restrictions” and “Plan of Distribution.”
Risk Factors.....	Investing in the notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this listing memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Tender Offer of the 2022 Notes.....	Concurrently with the offering of the notes hereby, we will offer to purchase for cash up to US\$120,000,000 of the outstanding 2022 Notes, pursuant to the terms of, and subject to the conditions set forth under the Tender Offer Documents. Banco BTG Pactual S.A. – Cayman Branch, Citigroup Global Markets Inc., and Santander Investment Securities Inc. will be acting as dealer managers and solicitation agents under the Tender Offer. For further information and copies of the Tender Offer Documents, please contact the information agent Global Bondholder Service Corporation at (212)

430-3774 (collect) or at (866) 470-4300 (toll-free).

Summary Consolidated Financial Data

We set forth below certain financial and operating data as of and for the years ended December 31, 2018 and 2019 and the nine-month periods ended September 30, 2019 and 2020. Our interim condensed consolidated financial data as of and for the nine-month periods ended September 30, 2019 and 2020 is unaudited.

You should read this information together with our audited consolidated financial statements and unaudited interim condensed consolidated financial statements, and related notes, included elsewhere in this listing memorandum, as well as the information presented in the sections “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These results are not necessarily indicative of our future results of operations or financial condition.

	As of or for the year ended December 31,		As of or for the nine months ended September 30,	
	2018	2019	2019	2020
(In millions of U.S. dollars, except for ratios, cash cost, production data, reserves and resources, and prices)				
Consolidated Statement of Comprehensive Income				
Net Sales	775.1	743.6	536.3	355.6
Cost of sales	(546.4)	(596.4)	(453.5)	(355.8)
Gross profit	228.7	147.2	82.7	(0.2)
Administrative expenses	(61.9)	(58.3)	(40.2)	(26.8)
Selling expenses	(27.2)	(23.2)	(16.7)	(10.8)
Other income	56.3	66.8	51.9	28.6
Other expenses	(77.4)	(119.9)	(43.5)	(19.3)
Reversal of impairment of long-lived assets	110.0	35.6	-	-
Impairment loss of long-lived assets	(69.3)	(19.6)	-	-
Operating profit (losses)	159.3	28.6	34.2	(28.5)
Financial income (expenses)	(44.8)	(46.5)	(36.0)	(39.4)
Profit (loss) before income tax	114.5	(17.9)	(1.8)	(67.9)
Income tax expense	(85.1)	(52.4)	(15.5)	(1.8)
Net (loss) profit	29.4	(70.3)	(17.3)	(69.7)
Consolidated Statement of Financial Position				
Cash and cash equivalents	63.0	33.8	n/a	97.9
Accounts receivable commercial	41.8	36.2	n/a	21.5
Other accounts receivable	168.6	73.9	n/a	65.4
Other financial assets	0.7	5.4	n/a	0.0
Inventories	64.6	36.7	n/a	37.1
Assets classified as held for sale ⁽¹⁾	-	302.0	n/a	300.1
Total current assets	338.7	488.0	n/a	522.0
Other accounts receivable	7.0	8.0	n/a	7.2
Financial investments	53.3	193.8	n/a	191.3
Inventories (net)	7.8	-	n/a	-
Property, plant and equipment, net	978.2	676.8	n/a	647.2
Right-of-use assets	-	22.5	n/a	11.2
Mining concessions, costs of exploration and development costs, and other intangibles (net)	840.1	780.1	n/a	780.2
Total non-current assets	1,886.3	1,681.2	n/a	1,637.0
Total assets	2,225.0	2,169.2	n/a	2,159.0
Total current liabilities	556.4	700.0	n/a	483.5
Total non-current liabilities	1,020.4	898.4	n/a	1,176.1
Total liabilities	1,576.8	1,598.4	n/a	1,659.5
Total net equity	648.2	570.7	n/a	499.5
Total liabilities and net equity	2,225.0	2,169.2	n/a	2,159.0
Consolidated Statement of Cash Flow				
Cash from operating activities	235.4	216.6	168.3	105.4
Cash used in investing activities	(193.3)	(171.1)	(139.2)	(82.4)
Cash resulting from (used in) financing activities	(81.0)	(72.2)	(53.5)	49.7
Net increase (decrease) in cash and cash equivalents	(38.9)	(26.7)	(24.4)	72.7

	As of or for the year ended December 31,		As of or for the nine months ended September 30,	
	2018	2019	2019	2020
(In millions of U.S. dollars, except for ratios, cash cost, production data, reserves and resources, and prices)				
Other Items				
Depreciation and amortization	168.0	201.3	148.8	106.6
Interest expense ⁽²⁾	37.9	38.8	29.0	29.0
Adjusted EBITDA ⁽³⁾	288.8	244.1	172.5	102.7
Ratio of financial debt to Adjusted EBITDA ⁽⁴⁾	2.7x	3.2x	3.6x	5.2x
Adjusted EBITDA coverage ratio ⁽⁵⁾	7.6x	6.3x	5.9x	3.5x
Capital expenditures ⁽⁶⁾	184.9	194.0	131.1	65.7
Working capital ⁽⁷⁾	(217.8)	(212.0)	(247.0)	38.5
Sales by metal and adjustments				
Zinc	488.6	421.4	314.4	159.0
Silver	220.7	206.5	143.1	139.0
Lead	92.5	83.8	59.9	43.4
Copper	16.3	13.9	10.8	7.3
Gold	13.4	28.5	20.5	9.3
Subtotal	831.5	754.1	548.6	357.9
Settlement of prior period adjustment	(34.5)	(15.7)	(5.2)	(16.5)
Adjustment for open positions	(8.0)	(2.4)	(7.1)	7.3
Hedging results	(13.9)	7.5	0.0	6.8
Total	775.1	743.6	536.3	355.6
Reserves and Resources				
Reserves (in millions of tonnes)				
Proven	15.9	10.1	n/a	n/a
Probable	18.4	22.6	n/a	n/a
Total	34.3	32.7	n/a	n/a
Resources (in millions of tonnes)				
Measured	55.7	53.9	n/a	n/a
Indicated	89.3	100.1	n/a	n/a
Inferred	360.2	377.0	n/a	n/a
Total	505.2	531.1	n/a	n/a
Total Reserves and Resources	539.5	563.8	n/a	n/a
Cash Cost				
Zinc (U.S. dollars per finished metric tonne)	1,200	1,216	1,267	1,093
Silver (U.S. dollars per ounce)	(8.5)	(4.1)	(4.9)	4.6
Fine Metal Production				
Zinc (in thousands of tonnes)	241.1	239.0	174.2	117.5
Silver (in millions of ounces)	17.0	15.6	11.2	8.3
Lead (in thousands of tonnes)	47.2	49.4	35.6	29.1
Copper (in thousands of tonnes)	4.6	4.5	3.4	2.3
Gold (in thousands of ounces)	11.6	21.6	15.9	6.9
Average Spot Prices				
Zinc (US\$/tonne – LME SHG Sett)	2,925	2,549	2,604	2,142
Silver (US\$/ounce – London Spot)	15.7	16.2	15.8	19.2
Lead (US\$/tonne – LME Sett)	2,244	1,998	1,984	1,798
Copper (US\$/tonne – LME Sett)	6,525	6,005	6,004	5,833
Gold (US\$/ounce – London Spot)	1,270	1,393	1,363	1,735

(1) See Note 4 to our unaudited interim condensed consolidated financial statements as of September 30, 2020, with respect to the change in the accounting treatment of assets held for sale, subsequent to such period-end. See “—Recent Developments—Termination of Purchase Agreement in respect of Sales of Certain of our Subsidiaries.”

(2) The components of interest expense are as follows:

	For the year ended December 31,	For the nine months ended September 30,

	2018	2019	2019	2020
		(In millions of U.S. dollars)		
Interest Expense				
Syndicated loan	0.0	0.0	0.0	1.4
Financial institutions	7.5	8.3	6.2	4.7
Third parties (bonds)	30.2	30.2	22.7	22.7
Financial leasing	0.2	0.2	0.1	0.3
Total interest expense.....	37.9	38.8	29.0	29.0

- (3) EBITDA is calculated as net (loss) profit for the year/period before income tax expense, financial expenses (income), depreciation and amortization during such period. Adjusted EBITDA is calculated by eliminating from the calculation of EBITDA: (a) any non-recurring items during such period, (b) gains or losses on the sale of property (other than the sale of property in the ordinary course of business) during such period, (c) any other non-cash items deducted from or included in the calculation of pre-tax net income for such period (other than items that will require cash payments and for which an accrual or reserve has been, or is required by IFRS to be, made), and (d) foreign exchange gains or losses upon loans and foreign currency translation adjustments or monetary correction and bank charges. We believe that EBITDA and Adjusted EBITDA, while providing useful information, should not be considered in isolation or as a substitute for net income as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity. Additionally, our calculation of EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore, comparability may be affected.

The following table sets forth the Adjusted EBITDA reconciliation:

	As of and for the year ended December 31,		As of and for the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Net (loss) profit	29.4	(70.3)	(17.3)	(69.7)
Income tax expense.....	85.1	52.4	15.5	1.8
Financial expenses, net ⁽¹⁾	39.9	43.9	33.5	31.1
Depreciation and amortization	168.0	201.3	148.8	106.6
EBITDA	322.4	227.3	180.5	69.8
Adjustments ⁽²⁾	(33.6)	16.8	(8.0)	32.9
Adjusted EBITDA	288.8	244.1	172.5	102.7

⁽¹⁾ Excluding exchange difference loss, net and bank charges.

⁽²⁾ The components of the adjustments are as follows:

	As of and for the year ended December 31,		As of and for the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Adjustments				
COVID-19 operational stoppage.....	0	0	0	24.6
Deconsolidation of CSPCP	0	(12.3)	(12.3)	0
Impairment loss of long-lived assets, net of reversal.....	(42.5)	(15.3)	0	0
VAT impairment.....	0	24.1	0	0
Doubtful recovery provision	5.5	3.4	0	0
Adjustment of contingencies provision.....	4.1	5.0	1.2	0
Adjustment of inventories	2.0	5.7	0	0
Net present value change of mine closure and communities agreements	0	1.9	0	0
Others.....	(3.5)	1.7	0.6	0
Exchange difference loss, net	4.1	(1.1)	1.3	5.2
Bank charges.....	0.8	3.7	1.2	3.1
Adjustments	(33.6)	16.8	(8.0)	32.9

- (4) The following table sets forth a description of our financial debt:

	As of the year ended December 31,		As of the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Financial debt				
Syndicated loan.....	0.0	0.0	0.0	296.6
Financial institutions.....	243.2	221.7	227.1	48.8
Third parties (bonds).....	535.3	535.3	535.3	535.3
Financial leasing	3.0	6.8	6.9	11.3
Operating leases (IFRS 16).....	0.0	23.2	29.1	17.6

Total financial debt.....	781.5	787.0	798.3	909.6

- (5) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA for the applicable period to interest expense for the same period.
- (6) Capital expenditures differ from cash used in investing activities because cash used in investing activities includes investments accrued in previous periods paid during the current period and excludes investments accrued in the current period but not paid in the current period. The components of capital expenditures are as follows:

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Capital Expenditures				
Local exploration.....	22.4	23.1	17.1	5.4
Mine development.....	76.9	70.8	53.5	25.5
Plants and tailing facilities	35.3	30.8	16.3	10.6
Mine and infrastructure	24.2	34.3	24.1	16.1
Electrical infrastructure in units	8.2	6.3	3.4	1.3
Regional explorations.....	3.5	4.2	3.1	0.6
Romina Project*	2.8	7.8	3.1	1.4
Energy.....	3.8	2.5	2.2	0.3
Support and others.....	7.9	14.2	8.3	4.5
Total capital expenditures	184.9	194.0	131.1	65.7

* For a description of the projects, see "Business—Growth Projects."

- (7) Working capital is current assets less current liabilities.

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this listing memorandum, before buying our notes. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition. In that event, the market price of the notes could decline, and you could lose all or part of your investment.

Risks Relating to Our Business

Our business is highly dependent on the price of the metals we produce.

Our financial performance is significantly affected by the market prices of the metals we produce, particularly the market prices of zinc, silver, lead and, to a lesser extent, copper and gold. Historically, prices of such metals have been subject to wide fluctuations and are affected by numerous factors beyond our control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. In addition, the market prices of zinc, silver, lead, copper, gold and certain other metals have on occasion been subject to rapid short-term changes. The economic impacts of the COVID-19 pandemic have also affected metal prices. See “—An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations” below.

During the last 15-year period ended December 31, 2019, zinc, silver, lead, copper and gold showed average highs and lows as follows: zinc US\$1,065 per tonne, low in 2008 and US\$4,515 per tonne, high in 2006; silver US\$6.40 per ounce, low in 2005 and US\$48.40 per ounce, high in 2011; lead US\$823 per tonne, low in 2005 and US\$3,890 per tonne, high in 2007; copper US\$2,845 per tonne, low in 2008 and US\$10,160 per tonne, high in 2011; and gold US\$413 per ounce, low in 2005 and US\$1,900 per ounce, high in 2011. We cannot predict whether metal prices will rise or fall in the future. Future declines in metal prices, and especially zinc, silver, lead, copper and gold prices, could have an adverse impact on our results of operations and financial condition, and we might consider curtailing or modifying certain of our operations.

Changes in the demand for the metals we produce could adversely affect our sales volume and revenues.

Our revenues depend on the volume of metals we sell, which in turn depends on the level of industrial and consumer demand for these metals. Demand for these metals is mostly driven by: in the case of zinc, consumption of galvanized steel for construction and infrastructure, the production of brass and die-casting; in the case of silver, its general perception as a store of value as well as its uses in industrial processes and products, such as batteries, bearings, brazing and soldering, catalysts, electronics and photographic material, and its use by direct consumers, such as for jewelry, silverware and coins; in the case of lead, its uses as energy storage and in certain other products such as chemicals, ammunition, oxides in glass and ceramics, casting metals and sheet lead; in the case of copper, its uses in the construction industry, electronic product manufacturing, power generation, transmission and distribution, and the production of industrial machinery; and in the case of gold, its general perception as a store of value as well as global economic activity outlook. See “Industry Overview.” An increase in the production of these metals worldwide or changes in technology, industrial processes or consumer habits, including increased demand for substitute materials, may decrease the demand for these metals. A fall in demand, resulting from economic slow-downs or recessions or other factors, could also decrease the volume of metals we sell and therefore materially and adversely impact our results of operations and financial condition.

Our results and financial condition are affected by global and local market conditions which we do not control and cannot predict.

We are subject to the risks arising from adverse changes in domestic and global economic and political conditions. Our industry is cyclical by nature and fluctuates with economic cycles, including the current global economic instability caused by the COVID-19 pandemic. See “—An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations” below. The weakness in the global economy has been marked by, among other adverse factors, the COVID-19 pandemic, trade tension between the United States and China, and political turbulence in Europe.

If the global economic recovery continues to be weak or deteriorates or if Chinese economic growth weakens, it could have an impact on our business and our financial condition. We cannot predict if the actions taken in the United States, Europe and elsewhere in the world to address this situation will be successful in reducing the severity or duration of the economic instability. Continued global economic weakness may prompt banks to limit or deny lending to us or to our customers, which could have a material adverse effect on our liquidity, on our operations, on our ability to carry out our announced capital investment programs and may prompt our customers to slow down or reduce the purchase of our products. We may experience longer sales cycles, difficulty in collecting sales proceeds, and lower prices for our products. We cannot provide any assurance that any of these events will not have a material adverse effect on market conditions, the prices of our securities, our ability to obtain financing, and our results of operations and financial condition.

The mining industry is highly competitive.

We face competition from other mining, processing, trading and industrial companies in Peru and around the world. Competition principally involves sales, supply and labor prices, contractual terms and conditions, attracting and retaining qualified personnel and securing the services and supplies we need for our operations. We cannot assure you that competition will not adversely affect us in the future. For example, lower cost producers of the metals we mine could be better positioned to manage future volatility through commodity price cycles. In addition, mines have limited lives and, as a result, we must periodically seek to replace and expand our reserves by acquiring new properties. Significant competition exists to acquire mining concessions, land and related assets.

Potential changes to international trade regulations and agreements, as well as other political and economic arrangements (including direct or indirect subsidies) may benefit metal producers or traders operating in countries other than where our mining operations are currently located or adversely affect the prices we pay for the supplies we need and our export costs when we engage in international transactions. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable regulations, trading or other arrangements or that we will be able to maintain the cost of the supplies we require and our export costs.

Our estimates of reserves and resources may be materially different from mineral quantities we actually recover and we depend on our ability to replenish ore reserves and resources for our long-term viability.

There is a degree of uncertainty attributable to the calculation of mineral reserves and resources. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as estimates only. The proven and probable ore reserves and resources data included in this listing memorandum are estimates prepared under the general supervision of our chief geological engineer in consultation with a recognized consultant geologist in Peru, acting as competent person, based on evaluation methods generally used in the mining industry. We may be required in the future to revise our reserves and resources estimates and we cannot assure you that our reserves and resources conform to geological, metallurgical or other expectations or that the estimated volume and grade of ore will be recovered. In particular, some estimates of our resources presented in this listing memorandum include inferred resources, which, by definition, are estimates that are made with a low level of confidence. Market prices of our metals, increased production costs, reduced recovery rates, short-term operating factors, royalty taxes and other factors may render proven and probable reserves uneconomic to exploit and may result in revisions of reserves data from time to time. Reserves and resources data are not indicative of future results of operations and are depleted as we mine. We depend on our ability to replenish our ore reserves for our long-term viability. We use several strategies to replenish and increase our ore reserves, including exploration, acquisition of mining concessions and investing in technology that could extend the life of a mine by allowing us to cost-effectively process ore types that were previously considered uneconomic. However, we cannot assure you that we will be able to continue with our strategy to replenish reserves indefinitely.

Our exploration efforts are highly speculative in nature and may be unsuccessful.

Mining exploration is highly speculative in nature, involves many risks and is frequently unsuccessful. Moreover, once mineralization is discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine processes to extract the metals and, if required, to construct mining and processing facilities and obtaining the rights on the land and resources required to develop the mining activities. We have approximately 354,000 hectares of mining

concessions, of which 20% are currently being exploited, 22% are being explored and 58% remain unexploited and unexplored. We cannot assure you that our exploration programs will result in the expansion or replacement of current production with new proven and probable reserves.

Development projects have no operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metal from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual or expected prices may mean reserves, once found, will be uneconomical to mine.

An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations.

Our operations are subject to risks related to outbreaks of infectious diseases. For example, the ongoing COVID-19 pandemic has and will continue to cause severe disruptions in the world economy and negatively impact volatility in prices of precious metals. The COVID-19 pandemic has also resulted in increased volatility in both the local and the international financial markets and economic indicators, such as exchange rates, interest rates, credit spreads and commodity prices. COVID-19 has generated a simultaneous shock on supply and demand – a supply shock resulting from the abrupt paralysis of production in multiple sectors and a demand shock as a result of reduced consumption – which amplifies the negative effects on the economy. Further shocks or unexpected movements in these market factors could result in financial losses. Moreover, the COVID-19 pandemic and its potential impact on the global economy may affect our ability to meet our financial targets. We have been materially adversely affected by the protracted downturn in local, regional and global economic conditions and have adopted certain capital conservation measures in response, including the sale of non-core assets. These actions or measures may result in material adverse effects on our business, results of operations or strategic plans and targets, the prices of or our ability to make payments on our securities. In fact, during the nine-month period ended September 30, 2020, we recorded US\$24.6 million in costs related to our COVID-19 pandemic operational stoppage. Additionally, a severe market disruption will likely decrease demand for our products and otherwise impact our operations and the operations of our customers, suppliers and other stakeholders.

In order to contain the spread of COVID-19 in Peru, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering a mandatory lockdown and the total closure of Peru's borders, while guaranteeing access to essential goods and services, including banking and financial services, pharmacies, food stores and markets, among others. In accordance with these restrictions, we limited our operations to those which were strictly necessary to ensure that our essential services and minimum safety conditions were maintained. Other than in respect of these operations, our mining processing facilities completely halted between March 17, 2020 and May 18, 2020. While some of these restrictions have since been lifted in connection with the Peruvian government's phased approach to re-opening the economy, we can offer no assurance that they will not be re-imposed and changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may further restrict our existing operations and require extensive system and operating changes that may be difficult or costly for us to implement. For example, on January 26, 2021, the Peruvian government announced a lockdown of Lima and nine other regions from January 31 until at least February 14, 2021. While this new lockdown does not restrict the activities of the mining industry, including our activities, the ultimate severity of the COVID-19 outbreak remains uncertain at this time and therefore we cannot predict the impact it may have on the world, the Peruvian economy, international financial markets, and ultimately on our financial condition, results of operations, production, sales, margins and cash flow from operations, our access to debt markets, covenant compliance, or asset impairments, among others.

Health and safety and environmental laws and other regulations may increase our costs of doing business, restrict our operations, or result in the application of fines, revocation of permits or shutdown of our facilities.

Our exploration, exploitation and processing activities are subject to a number of Peruvian laws and regulations, including relating to health and safety and environmental protection, as well as certain industry

standards. Additional matters subject to regulation include, but are not limited to, concession fees, transportation, production, water use and discharge, power use, electricity generation and transmission, use, handling and storage of explosives and other hazardous materials, land use rights, housing and other facilities for workers, taxation, labor standards, safety and occupational health.

We are required to comply with occupational health and safety and environmental laws and regulations in Peru where our operations are subject to periodic inspections by the relevant governmental authorities. These laws and regulations govern, among others: workplace conditions, use of safety equipment, workers insurance coverage, and the handling, storage and disposal of hazardous substances. Compliance with these laws and regulations and new or existing regulations that may be applicable to us in the future could increase our operating costs and adversely affect our financial results of operations and cash flows.

We monitor occupational health and safety and environmental performance and compliance regularly through programs, reports and activities at our operations. For example, we issue reports according to Peruvian mining regulations (Supreme Decree No. 024-2016-EM), which include the establishment of a committee of security and health in the workplace, monthly occupational health and safety statistics, an annual occupational health and safety program, and a training register, among other measures. We also issue reports according to our safety, health, environmental and quality system. These include, among others, a daily report of accidents, a weekly occupational health and safety report, a monthly occupational health and safety newsletter and an annual occupational health and safety plan. Mining is an inherently dangerous activity which involves substantial risks and both our workers and our contractors' workers are subject to accidents, some of which may result in injuries or death. Accidents are reported to Peruvian authorities as required. Although we believe we are in compliance with these regulations in all material aspects, we cannot assure you that we have been or will be at all times in full compliance with the laws and regulations. Any violation of such laws or regulations could result in substantial fines, criminal sanctions, temporary or permanent shutdown of the affected operations or facilities or the suspension or revocation of authorizations, permits or licenses. Pursuant to certain applicable environmental laws, we could be found liable for all or substantially all of the damages caused by pollution at our current or former facilities or those of our predecessors at disposal sites. We could also be found liable for all incidental damages due to the exposure of individuals to hazardous substances or other environmental damage. We cannot assure you that our costs of complying with current and future environmental and health and safety laws and regulations, and any liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially and adversely affect our business, financial condition and results of operations.

Environmental regulations have become increasingly stringent in Peru and we have been required to dedicate more time and money to compliance and remediation activities. We expect additional laws and regulations will be enacted over time with respect to environmental matters.

Environmental laws and regulations imposing environmental obligations on the mining industry have been enacted in Peru, and we anticipate additional laws and regulations will be enacted over time. Future changes to environmental laws and regulations could increase the extent of investment and work required to be performed by us in order to comply with environmental obligations, including, but not limited to, those related to reclamation and remediation. Although we believe we are in compliance with all applicable environmental regulations, any future regulatory developments and resulting increases in future costs related to compliance could materially impact the amounts charged to operations in this regard.

Regulatory and industry response to climate change, restrictions, caps, taxes, or other controls on emissions of greenhouse gasses, including on emissions from the combustion of carbon-based fuels, controls on effluents and restrictions on the use of certain substances or materials could significantly increase our operating costs. This could also affect our customers. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. These regulatory initiatives will be either voluntary or mandatory and may impact our operations directly or through our suppliers or customers.

The potential impact of climate change on our operations is highly uncertain, and would be particular to the geographic circumstances of our facilities and operations. It may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperatures. These effects may materially and adversely impact the cost, production and financial performance of our operations.

In addition, we have to submit an environmental impact assessment (“EIA”) and/or other environmental/social compliance documentation to regulatory agencies for all our new projects or expansions of existing operations or facilities in accordance with Peruvian mining regulations. The EIA and other environmental/social compliance documentation may have to be discussed at various open hearings with the local communities, where they have the opportunity to voice their opinion and concerns. In Peru, the Ministry of Energy and Mines usually requires companies that carry out mining or energy activities to address the questions of the communities. The Ministry of Energy and Mines is the entity that approves EIAs for the execution of mining and energy projects. We cannot assure you that any future projects will be approved or that existing approvals, authorizations, licenses and permits will not be questioned or revoked. Furthermore, we cannot assure you that even if we get the required approvals, licenses, authorizations and permits for any future projects we will not experience opposition from local communities that could impede the development of such projects.

The development of more stringent environmental protection programs in Peru, international conventions and treaties, trade agreements or generally in the industry could impose constraints and additional costs on our operations and require us to make significant capital expenditures in the future. We cannot assure you that future legislative, regulatory, international law, industry, trade or other developments will not have a material adverse effect on our business, properties, operating results, financial condition or prospects.

Our operations depend on our relations and agreements with local communities, and new projects require carrying out a prior consultation procedure.

There are 39 local communities (*comunidades campesinas*) that surround our operations. As of September 30, 2020, we have entered into 69 agreements with 31 of these local communities that mainly provide for the use of their land for our operations. We also interact with regional and local governments and depend on our close relations with local communities and regional/local governments to carry out our operations. In the event that our relations with the communities and regional/local governments were to deteriorate in the future, or the communities do not comply with the existing agreements or renew them upon expiration, it could have a material adverse effect on our business, properties, operating results, financial condition or prospects. Our ability to obtain permits and approvals and to successfully operate in particular communities or to obtain financing may be adversely impacted by real or perceived detrimental events associated with our activities or those of other mining companies affecting the environment, human health and safety or the surrounding communities. Furthermore, in order to develop new projects on land owned by, or in the possession of, third parties, we need to reach an agreement with such third parties in order to use that land. Our failure to reach such agreements or obtain governmental approvals for our new projects could result in a material adverse effect on our business, properties, operating results, financial condition or prospects. Protests relating to the environmental impact of mining projects, such as those that occurred in 2019 with respect to Tia Maria in Valle del Tambo, Arequipa and the Las Bambas mine in the Apurimac region, could also result in a material adverse effect if they were to impede our existing operations or expansion projects.

In addition, Law No. 29785 on the Prior Consultation Right of the Indigenous Population, which was passed on September 7, 2011 and is based on the International Labor Organization’s 169th Convention, ratified by Peru in 1993, provides that the government is to carry out a prior consultation procedure (*procedimiento de consulta previa*) with local communities in connection with new laws, regulations and administrative measures, as well as national and regional plans, programs and projects, that directly affect them, including the granting of new mining concessions. Implementing regulations under the law were approved by Supreme Decree No. 001-2012-MC, which became effective on April 2, 2012. The implementing regulations specify the form and circumstances of the required consultation and the manner in which agreements will be formalized, and cap the consultation process at 120 calendar days. Under the law, the Peruvian governmental body responsible for issuing or approving the administrative measure or decree in question, rather than the affected local indigenous community, retains the right to approve or reject the relevant legislative or administrative matter following such consultation. However, to the extent that any future projects operated by us require legislative or administrative measures that impact local indigenous communities, the required prior consultation procedure may result in delays, additional expenses or failure to obtain approval for such new project, which could have a material adverse effect on our business, properties, operating results, financial condition or prospects. See “Regulatory Framework.”

Lead pollution and contamination as well as high lead blood levels in children living in communities around our Cerro de Pasco Mine continue to present a community health risk. Although we believe that this contamination was produced prior to our ownership of the mining operations, and that therefore we do not have any

legal liability for the contamination, the risk to community health nonetheless exists. We have collaborated with the Peruvian government and other private mining companies in the area as well as the NGO Prisma to address critical lead and pollution-related health concerns in the community; however, this initiative has been idle since the start of the COVID-19 pandemic and the political crisis in Peru. There is a risk that the health crisis in the Cerro de Pasco community will grow, heightening reputational risk for us and our investors.

We may be adversely affected by labor disputes.

Mining is a labor intensive industry. We depend on more than 9,700 workers to carry out our operations, 32% under direct payroll and 68% from mining service contractor companies. As of September 30, 2020, we had ten front-line workers unions among our direct payroll staff; front-line workers unions represented approximately 43% of direct payroll workers at the Yauli Unit and at our Lima headquarters, 45% of direct payroll workers in the case of the Cerro de Pasco Unit and 29% in the case of the Chungar and Alpamarca Units. We carry out collective agreement negotiations with the unions annually. These generally relate to salaries, working conditions and welfare. Although we consider that our relations with employees and contractors are currently positive, we cannot assure you that we will not experience work slowdowns, work stoppages, strikes or other labor disputes in the future, particularly in the context of the annual renegotiation of our collective agreements, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax laws may increase our tax burden and, as a result, could adversely affect our business, financial condition and results of operations.

The Peruvian government from time to time implements changes to tax laws and regulations. Any such changes, as well as changes in the interpretation of such laws and regulations, may result in increases to our overall tax burden, which would negatively affect our profitability. For example, on September 28, 2011, Law No. 29789 and Law No. 29788 were passed and increased taxation on metallic and non-metallic mining activities in Peru, which adversely affected our results of operations beginning October 1, 2011. Moreover, on January 1, 2017, the income tax rate increased from 28% to 29.5% and the dividend tax rate decreased from 6.8% to 5%. See “Regulatory Framework.” We cannot assure you that the Peruvian government will not implement additional changes to tax regulations in the future, which could adversely affect our business, financial condition and results of operations.

Our business requires substantial capital expenditures and is subject to financing risks.

Our business is capital intensive. Specifically, the exploration and exploitation of zinc, silver, lead and copper reserves, the mining costs, the maintenance of machinery and equipment and the compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase the amount of our metal reserves and our production. We expect to invest more than US\$130 million over the next three years on major expansion projects. We depend on our cash flows for maintenance capital expenditures. In particular, at our Romina project we have determined the existence of important deposits of zinc, lead and silver, with Puagjanca being the most explored area. In surrounding areas, we determined the existence of the Andrea, Adriana and Esperanza deposits. Our Romina project is expected to produce minerals that will be treated at the concentrator plant located in the Alpamarca Unit and it is estimated that it will enter production beginning in 2024. Its semi-detailed environmental impact assessment (*Estudio de Impacto Semi Detallado*) (“EIASd”) has already been completed and the feasibility study is in progress. Steps are also being taken to obtain approval of its detailed environmental impact assessment (*Estudio de Impacto Ambiental Detallado*) (“EIA”), which is expected to be approved in 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditures” and “Business—Growth Projects.” No assurance can be given that we will be able to maintain our production levels or generate sufficient cash flow, capitalize a sufficient amount of our net profit or have access to sufficient investments, loans or other financing alternatives to finance our capital expenditure program at a level necessary to continue our exploration and exploitation activities at or above present levels. In addition, we cannot assure you that any of the existing projects or future projects will be approved or, if approved and executed, that such execution will be completed on schedule, within budget or achieve an adequate return on investment.

Our projects are subject to risks that may result in increased costs or delays that prevent their successful implementation.

We are investing to further increase our production capacity, logistics capabilities and to expand the scope of minerals we produce. Our projects are subject to a number of risks that may materially and adversely affect our growth prospects and profitability, including the following:

- we may encounter delays or higher than expected costs in obtaining the necessary equipment, machinery, materials, supplies, labor or services and in implementing new technologies to develop and operate a project;
- our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including a reliable power supply;
- we may fail to obtain, or experience delays or higher than expected costs in obtaining, the required agreements, authorizations, licenses and permits to develop a project, including the prior consultation procedure and agreements with local communities;
- changes in market conditions or regulations may make a project less profitable than expected at the time we initiated work on it;
- adverse mining conditions may delay and hamper our ability to produce the expected quantities and qualities of minerals;
- pandemics, including the COVID-19 pandemic, and other public health events may delay implementation and hinder profitability of projects; and
- conflicts with local communities and/or strikes or other labor disputes may delay the implementation or the development of projects.

The mining business is subject to inherent risks, some of which are not completely insurable.

The business of mining zinc, silver, lead, copper and other minerals is generally subject to a number of risks and hazards. Hazards associated with open pit mining operations include flooding of the open pit, collapse of the open pit wall, accidents associated with the operation of large open pit mining and rock transportation equipment or with the preparation and ignition of large scale open pit blasting operations, production disruptions due to causes such as adverse weather conditions and hazards associated with air pollution, the disposal of tailings, hazardous substances and materials and mineralized waste water, such as groundwater and waterway contamination. Hazards associated with underground mining operations include underground fires and explosions, including those caused by flammable gas, gas and coal outbursts, cave ins or falls of ground, fall of rocks, tunnel collapse, lack of oxygen, air pollution, discharges of tailings, hazardous substances and materials, gases and toxic chemicals, flooding, sinkhole formation and ground subsidence, other accidents and conditions resulting from underground mining, such as drilling, blasting, removing and processing material.

Such occurrences could result in damage to, or destruction of, our properties or production facilities, third party property, human exposure to pollution, personal injury or death, environmental and natural resource damage or contamination, delays in mining, monetary losses, reputational damage and legal liability. We maintain insurance policies in accordance with mining industry standards, and in amounts that we believe to be adequate, but which may not provide complete coverage in certain circumstances. Insurance against certain risks (including certain liabilities for environmental contamination and other hazards as a result of exploration and production) is not generally available or is uneconomical to afford.

We may be materially and adversely affected by challenges relating to slope and tunnel stability.

Our open-pit and underground mines get deeper and our waste and tailings deposits increase in size as we continue with our mining activities, presenting certain geotechnical challenges including the possibility of slope and tunnel failure. If we are required to decrease pit or waste or tailings deposit slope angles, provide additional road access, reinforce tunnels or take additional actions to prevent such a failure, we could incur additional expenses and

our operations and stated reserves could be negatively affected. We have taken actions in order to maintain the stability of slopes and tunnels, but additional action may be required in the future. Unexpected failure or additional requirements to prevent slope and tunnel failure may materially and adversely affect our costs, the results of our operations and financial condition, as well as have the effect of diminishing our stated ore reserves.

Natural disasters could damage our facilities.

Natural disasters could significantly damage our mining and production facilities and general infrastructure. In particular, the Central Andean region where our mines are located is prone to earthquakes and landslides of varying magnitudes. On January 14, 2018, an earthquake measuring 7.1 on the Richter local magnitude scale hit the southern coast of Peru, severely damaging the region south of Lima, and on May 26, 2019, an earthquake measuring 8.0 on the Richter local magnitude scale struck a remote part of the Amazon in Peru, resulting in collapsed buildings, power failures and two reported deaths. In addition, increased rainfall from the weather phenomenon known as “El Niño,” which typically occurs every two to seven years, can contribute to flooding and mudslides, which could damage roads and highways providing access to our facilities. The Peruvian government estimated that *El Niño* caused US\$2.8 billion in damages in affected regions in the first half of 2017. Peru has also experienced droughts caused by low rainfall. While we have not suffered extensive damage to our facilities and staff casualties as a result of earthquakes, landslides or other natural disasters, we cannot assure you that we will not experience natural disaster-related damage or casualties in the future, which could materially and adversely affect our ability to conduct our operations and, as a result, reduce our future operating results.

We could be subject to information technology system failures, network disruptions, and breaches in data security which could negatively affect our business, financial position, results of operations, and cash flows.

As dependence on digital technologies is expanding, cyber incidents, including deliberate attacks or unintentional events have been increasing worldwide. Computers and telecommunication systems are used to conduct our exploration, development and production activities and have become an integral part of our business. We use these systems to analyze and store financial and operating data, as well as to support our internal communications and interactions with business partners. Cyber-attacks could compromise our computer and telecommunications systems and result in additional costs as well as disruptions to our business operations or the loss of our data. A cyber-attack involving our information systems and related infrastructure, or those of our business partners, could disrupt our business and negatively impact our operations in a variety of ways, such as, among others:

- an attack on the computers which control our mining operations could cause a temporary interruption of our production;
- a cyber-attack on our accounting or accounts payable systems could expose us to liability to employees and third parties if their sensitive personal information is obtained;
- possible loss of material information, which in turn could delay productive processes and selling efforts, causing economic losses; or
- a cyber-attack on a service provider could result in supply chain disruptions, which could delay or halt our major development projects.

During the initial months of the COVID-19 pandemic, there was exponential growth in deliberate attacks on our information technology systems. In particular, our email platform suffered several phishing attacks. All attacks have been associated with increased risks such as identity fraud and theft of user credentials. Although we took the following actions to mitigate the increased risks:

- Implemented multifactor authentication on all our email accounts;
- Enhanced password security by requesting a combination of uppercase, lowercase and special characters;
- Contracted a specialized security service to provide 24-hour management and monitoring of our perimeter security architecture through different security- and cyber-intelligence tools; and
- Implemented an encryption system for all users to increase the security of stored information from theft or loss of the equipment;

we cannot offer any assurance that we will not suffer similar cybersecurity breaches in the future, which could have a material adverse effect on our business and reputation and expose us to increased liability.

Deliveries under our sales agreements may be suspended or cancelled by our customers in certain cases.

Under our sales agreements, our customers may suspend or cancel delivery of our products in some cases, such as force majeure. Events of force majeure under these agreements generally include, among others, acts of god, strikes, fires, floods, wars, government actions or other events that are beyond the control of the parties. Although we have not had any suspensions or cancellations under our sales agreements as a result of the COVID-19 pandemic, any suspension or cancellation by our customers of deliveries under our sales contracts that are not replaced by deliveries under new contracts would reduce our cash flow and could materially and adversely affect our financial condition and results of operations.

Interruptions of energy supply or increases in energy costs and other production costs may materially and adversely affect our results of operations.

We require substantial amounts of electricity for our operations. Electricity costs constituted approximately 10% and 9% of our total costs in 2018 and 2019, respectively. We obtain the necessary electric power for the operation of our equipment and facilities from (i) our own hydroelectric power plants which cover approximately 51% of our total electricity requirements (subject to change as a result of any potential sale of certain of our hydroelectric plants as further discussed in “Summary—Business Strategy—Commit to Operational Excellence and Efficiency”), and (ii) third parties through electricity supply contracts. We also have some small thermoelectric generators that serve only as backup. We have three long-term electricity supply contracts with Engie Energía Perú S.A., which expire on December 31, 2023. In the event of any interruption or failure of our sources of electricity or in transmission lines or in any part of the grid (*Sistema Eléctrico Interconectado Nacional del Perú*, or “SEIN”), we cannot assure you that we will have access to other energy sources at the same prices and conditions, which could materially and adversely affect our results of operations and have a material adverse effect on our business, financial condition and result of operations.

The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, supply interruptions, equipment damage, worldwide price levels and market conditions. While the price of oil dropped sharply in 2020, we can offer no assurance that prices will not increase in the future. In addition, thermoelectric power generation represents 58% of the total installed capacity in Peru. Consequently, electricity prices are highly correlated with gas prices. Disruptions in energy supply or increases in costs of energy resources or increases of other production costs could have a material adverse effect on our financial condition and results of operations.

Shortages of water supply, critical spare parts, maintenance service and new equipment and machinery may materially and adversely affect our operations and development projects.

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. We obtain the majority of the water we use for our operations pursuant to licenses granted for an unlimited period by the Peruvian Water Management Authority (*Autoridad Nacional del Agua* or “ANA”) to exploit our own wells, which are generally granted based on studies of the existing and projected water supply. Although each operation currently has access to sufficient water resources to cover its operational demands, the extinction of some or all water resources, failure in the water supply infrastructure, or the loss of some or all water supply contracts or relevant rights in relation to any of our mines or operations, in whole or in part, or shortages of water could require us to curtail or shut down operations and could prevent us from pursuing expansion opportunities.

Water rights, including licenses, may be terminated by governmental authorities or courts under certain circumstances, including: (i) titleholder’s resignation; (ii) nullification of the resolution approving the corresponding permit, authorization and/or license, declared by the ANA based on certain infringements to the Law of Water Resources, Law No. 29338 (“LWR”), and its regulations enacted by Supreme Decree 001-2010-AG; or (iii) failure to pay applicable water rights fee. According to Peruvian law, authorities may grant temporary water rights, as well as rights for indefinite periods such as those licenses granted to us as on the date hereof, subject to the compliance of certain legal conditions related to the permitted use of the water. Peruvian law establishes that water rights must be used efficiently without adversely affecting its quality or the environment, and taking into account primary use (such as water for food preparation, human direct consumption, agricultural activities and personal hygiene) and rights for the use of water previously granted.

The available water supply may be adversely affected by shortages or changes in governmental regulations. We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs. In addition, we cannot assure you that our existing licenses related to water rights will be maintained. A reduction of our water supply could materially and adversely affect our business, results of operations, financial condition and ability to repay the notes. In addition, we have not yet secured water rights to support some of our expansion projects, and our inability to secure those rights could prevent us from pursuing them. In addition to water and energy, our mining operations require intensive use of equipment and machinery. Shortage in the supply of key spare parts or adequate maintenance service or new equipment and machinery to replace old ones and cover expansion requirements could materially and adversely affect our operations and development projects.

Our financial condition and results of operations may be materially and adversely affected by currency exchange rate fluctuations.

The U.S. dollar is our functional currency and our revenues are primarily denominated in U.S. dollars. However, portions of our operating costs are denominated in soles. Accordingly, when inflation in Peru increases without a corresponding devaluation of the sol, our financial position, results of operations and cash flows could be materially and adversely affected. For the period ended September 30, 2020, approximately 40% of our costs were denominated in soles. These costs mainly include electricity, labor, maintenance, local contractors and fuel. To manage the volatility related to the risk of currency rate fluctuations, we have entered into forward exchange contracts in the past and could use them again in the future. We cannot assure you, however, that currency fluctuations will not have an impact on our financial condition and results of operations.

We engage in hedging activity which may not be successful and may result in losses to us.

We currently use metal commodity futures in order to reduce the risk associated with metal price volatility. In addition, we have used in the past and could use in the future foreign currency forwards to mitigate the risk related to our U.S. dollar revenues and certain payments we make in soles. The net result of hedging operations in the comprehensive income statement was a loss of US\$5.9 million in 2019 and a loss of US\$7.5 million in the first nine months of 2020. As of December 31, 2019, we had effective hedge transactions pending settlement with an accrued net effect of an unrealized gain of US\$3.9 million. As of September 30, 2020, there were no hedging transactions pending settlement.

Our hedging activities could cause us to lose the benefit of an increase in the prices of the metals we produce if they increase over the level of hedge positions. The cash flows from and the mark-to-market values of our production hedges can be affected by factors such as the volatility of the market price of metals, which are not under our control.

Our hedging agreements contain events of default and termination events that could lead to early close-outs of our hedges such as failure to pay, breach of the agreement, misrepresentation, default under our loans or other hedging agreements and bankruptcy. In the event of an early termination of our hedging agreements, the relevant hedge positions would be settled at that time. In that event, there could be a lump sum payment to be made either to or by us. The magnitude and direction of such a payment would depend upon, among other things, the characteristics of the particular hedge instruments that were terminated and the relevant market prices at the time of termination. See Note 10 to our audited consolidated financial statements and Note 7 to our unaudited interim condensed consolidated financial statements for further information on our hedging activity.

The nature of our business includes risks related to litigation and administrative proceedings that could materially and adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our business exposes us to litigation relating to labor, environmental, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, criminal prosecution, among other matters. While we contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings

will not have a material adverse effect on our ability to conduct our business, financial condition and results of operations in the event of an unfavorable ruling.

Our concessions may be terminated or not renewed by governmental authorities.

Under Peruvian law, mineral resources belong to the state and government concessions are required to explore for or exploit mineral reserves. Our mining rights derive from concessions granted by the Geological, Mining and Metallurgical Institute of the Ministry of Energy and Mines for our exploration and exploitation activities, while our ore processing concessions have been granted by the Directorate General for Mining of the Ministry of Energy and Mines. Mining concessions in Peru may be terminated if the concessionaire (i) does not comply with its obligations or (ii) does not either (a) use the concessions by exploring or exploiting the land subject thereto or (b) pay the required penalty fees to maintain such concessions despite failure to comply with minimum exploration and exploitation requirements. A minimum annual level of production or investment must be maintained. We are obligated to pay certain fees for our mining concessions and, in some cases, penalties. In addition, we have been granted concessions in connection with our power generation and transmission operations. See “Regulatory Framework.” Failure to comply with such obligations may result in the termination of the concession which could have a material adverse effect on our operations, financial condition and prospects.

Glencore exercises control over our affairs and policies and its interests may be different from yours.

Glencore, a multi-national commodity trading and mining company, owns 55% of our Series A shares representing 22% of our capital stock through its subsidiary Glencore International. We cannot assure you that the interests of Glencore will not conflict with yours. Glencore has the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercises control over our business policies and affairs, including the following:

- the appointment of the majority of our board of directors and, as a result, most determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- decisions with respect to acquisitions, sales and dispositions of assets;
- whether dividends are paid or other distributions are made and the amount of any dividends or other distributions; and
- the amount of debt financing that we incur.

See “Management” and “Principal Shareholders and Description of Share Capital.”

We depend on key managers.

Our success depends largely on the efforts and strategic visions of our executive management teams and board of directors. The loss of key managers and members of our board of directors, or our inability to attract and retain qualified management personnel could materially and adversely affect the success of our operations. We cannot assure you that we will be able to attract and retain qualified management personnel on acceptable terms.

Any acquisitions we make may not be successful.

In the late 1990s, we acquired several mining operations including Mahr Tunel S.A., Empresa Minera Paragsha S.A.C. (“Empresa Minera Paragsha”), Compañía Minera Chungar (formerly Empresa Administradora Chungar S.A.C.) and Empresa Explotadora de Vinchos, to expand and consolidate our operations. We regularly consider and evaluate opportunities to acquire mining assets, companies and operations. We may choose to finance these acquisitions through our cash flow, borrowings or the issuance of additional securities. There can be no assurance that we will be able to successfully integrate any acquired assets, companies or operations. In addition, any additional debt we incur to finance an acquisition may materially and adversely affect our financial position and results of operations.

We may be liable for additional profit sharing to individuals employed by third party contractors.

We currently have over 3,100 employees. In addition, we use over 6,600 individuals employed by third party contractors. Under Peruvian law, outsourcing of employees from third party contractors is permitted as long as certain requirements are met. To the extent that such requirements are not met, the outsourced company may be jointly liable for all mandatory employment benefits and may be required to pay workers used under an outsourcing scheme profit sharing benefits as if they were employed directly by the outsourced company. Although we believe that we are in material compliance with Peruvian labor laws, we cannot assure you that any proceedings initiated by outsourced employees will be resolved in our favor and that we will not be liable for any mandatory employment benefits or for profit sharing benefits. See “Regulatory Framework—Labor Regulations” and “—Outsourcing.”

Risks Relating to Peru

Our growth and profitability depend on economic, social and political stability in Peru and other emerging markets.

Substantially all of our revenues are derived from our operations in Peru. Accordingly, our results of operations and general financial condition depend in part on Peruvian markets for labor and certain services, materials, supplies, machinery and equipment, and on factors relating to Peruvian economic, social and political stability generally. While Peru has experienced relative political stability since the mid-1990s, having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016 and to President Martin Vizcarra after President Kuczynski’s resignation, recent developments in President Vizcarra’s presidency have triggered instability and mass protests. Following political disputes during the year, on September 30, 2019, President Martin Vizcarra took executive action to dissolve the Peruvian congress and called for a new election of congressional members in January 2020. President Vizcarra’s extraordinary congressional elections took place on January 26, 2020. Members of a diversity of political parties were elected to complete a constitutional term ending on 2021. However, on November 9, 2020, following allegations of corruption emerging from President Vizcarra’s time as Regional Governor of Moquegua, Congress voted to impeach President Vizcarra, declaring him permanently incapacitated, and he was replaced by the President of Congress, Manuel Merino de Lama. Pursuant to the Constitutional succession rules of Peru, Mr. Merino de Lama was sworn in as president on November 10, 2020. Immediately thereafter, Peru was seized with nationwide protests and President Merino was forced to resign. Francisco Sagasti was sworn in as President of the Republic for the remaining presidential term on November 18, 2020. Currently, President Sagasti’s administration is seen as legitimate by the Peruvian public. However, should President Sagasti or any officials in his administration become involved in corruption investigations or other scandals, popular support for his government and policies may be adversely affected and result in additional disruption to Peru’s political landscape. There can be no assurance that future developments in or affecting the Peruvian political situation, including economic, social or political instability in Peru or in other emerging markets, will not result in material and adverse effects on our business, financial condition or results of operations.

While Peru had experienced economic growth prior to the COVID-19 pandemic, political tensions, high levels of poverty and unemployment, and social conflicts with local communities continue to be pervasive in Peru. In recent years, different regions in Peru (including La Oroya in the central region and Arequipa and Apurimac in the south) have experienced strikes and protests related mainly to the environmental impact of metallic mining activities, resulting in political tensions and commercial disruptions in that area. Future government policies in response to social unrest could include increased taxation as well as expropriation of assets. These policies could materially and adversely affect the Peruvian economy and, as a result, our business, financial condition and results of operations.

A new government has recently taken office in Peru.

On November 18, 2020, Francisco Sagasti was sworn in as President of the Republic for the remaining presidential term which finishes on July 28, 2021. If President Sagasti or any officials in his administration become involved in corruption investigations or other scandals and are removed from office, it could trigger further political instability affecting macroeconomic conditions in the country, including currency volatility, as well as have a material adverse effect on our business, prospects, financial condition, and results of operations or cash flows. Political uncertainty and presidential decisions could further increase interest rate and currency volatility, as well as materially and adversely affect the Peruvian economy and, as a consequence, our business and financial condition.

We cannot assure you that the new administration will not pursue significant changes in the country's economic policies and regulations, including tax increases, higher minimum wages and employee pension requirements, stricter environmental, health and safety standards, greater rights and expectations for local communities and more proactive or interventionist government policies in certain sectors of the economy. Such policies, if implemented, could materially and adversely affect our business, financial condition and results of operations.

Policy changes by future administrations may adversely affect us

In April 2021, Peru will hold elections to choose a new President and a new Congress, each of which will hold office for a term of five years. Although recent administrations in Peru have maintained open-market economic policies, a responsible fiscal policy and an autonomous monetary policy, we cannot assure you that the newly elected authorities will refrain from adopting new policies that could have an adverse effect on the Peruvian economy or on us. Future government policies could include, among others, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation regimes. Any of these new policies could materially adversely affect the Peruvian economy, our business, results of operations and our ability to make payments on the notes.

Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru's economy. Additionally, the Peruvian government measures adopted in order to address these health crises and epidemic/pandemics, such as the ongoing COVID-19 pandemic, may not be sufficient to address their impact.

The Peruvian government is deploying various economic and public health measures to address the pandemic caused by COVID-19. These measures are part of an economic stimulus plan that includes tax incentives among other tools intended to address the immediate impacts of the national state of emergency invoked by the Peruvian government to attempt to contain spread of the virus and lessen the strain on the health care system and the impact on the overall economy. The MEF, the Central Reserve Bank of Peru, the SBS, as well as other government entities have adopted specific measures to provide economic support to segments of the population, such as vulnerable population and small enterprises, which are most at risk in this crisis. In particular, economic support has been provided through programs such as "Reactiva Peru". As of December 2020, we and some of our subsidiaries have borrowed US\$ 13.6 million under such program. Under Reactiva Peru's regulations, we may not prepay current indebtedness unless using new credit facilities and we may not distribute dividends or distribute any profits (with the exception of distributions for employees), during the 36-month term of the financing.

The COVID-19 pandemic has had a material adverse impact on the Peruvian economy resulting in lower prices for primary goods, volatility in the financial markets, reduced international trade and lower activity in certain of the key drivers of the local economy. Prior to the pandemic, the Central Bank of Peru had predicted economic growth of 2.3% for 2020, but now expects Gross Domestic Product ("GDP") to drop 12.7% in 2020 as compared to 2019.

In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs have adversely affected the dynamism of various productive sectors of the economy. Reduced activity in these economic sectors has resulted in reduced employment and less income for families and companies. COVID-19 has generated a simultaneous shock on supply and demand – a supply shock resulting from the abrupt paralysis of production in multiple sectors and on demand as a result of reduced consumption – which amplifies the negative effects on the economy. Both the primary and secondary sectors of the Peruvian economy have been affected, among the most impacted being: (i) tourism, restaurants and travel agencies, (ii) transportation, warehousing and messengers and (iii) art and entertainment, in particular because of the suspension of group activities and self-isolation/social distancing mandates.

As such, in addition to public health measures, the Peruvian government has also announced the adoption of other measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies. Peru has committed to dedicate significant resources to strengthening the public health system. Social support to the neediest families has been approved to provide a public safety net to soften the impact of the consequences of the pandemic on Peru's most vulnerable citizens. However, there can be no assurance that these measures will be successful. Economic stagnation, contraction and decreased income levels and increased unemployment levels could adversely impact our results of operation in the long term, even after COVID-19 related restrictions are lifted. For example, according to Central Reserve Bank of Peru (*Banco Central de Reserva del Peru*)

for the period from March 30, 2020 to September 30, 2020, 2.2 million jobs were lost in Peru. Over the long-term, we cannot assure you that the measures adopted by the Peruvian government to counteract the effects of the COVID-19 pandemic will be sufficient to restore public confidence in the economy or to restore economic growth.

The Peruvian Ministry of Health (*Ministerio de Salud*) has announced agreements with certain companies to obtain the COVID-19 vaccine. While the Peruvian government expects vaccines to begin arriving in Peru in the first quarter of 2021, it is unclear when vaccinations will begin or how they will be distributed to the population. We can offer no assurance of the timeliness, efficacy or efficiency of the vaccine or the Peruvian government's vaccination program.

The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. The Peruvian economy has, in general, responded well to this transformation, growing at an average annual rate of over 4.5% during the period from 1994 to 2019, according to the Peruvian Central Bank. Currency exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over the foreign currency exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. In 1991, the Peruvian government eliminated all foreign currency exchange controls and unified exchange rates. Currently, foreign currency exchange rates are determined by market conditions, with regular purchases of U.S. dollars in the local market by the Peruvian Central Bank in order to reduce volatility in the value of the sol.

In the future, the Peruvian government may institute restrictive exchange rate policies and restrictions on remittances of profits, dividends and royalties. Any such policies could affect our ability to engage in foreign currency exchange activities, and could also have a material adverse effect on our business, results of operations, financial condition and ability to repay the notes.

Peru has different corporate disclosure rules than holders may be familiar with in other markets.

The securities laws and regulations in Peru have as a principal objective promoting disclosure of all material corporate information to the public. Peruvian disclosure requirements, however, differ from those in the United States and other jurisdictions in some important respects. In addition, although Peruvian law imposes restrictions on insider trading and price manipulation, applicable Peruvian laws are different from those in the United States and other countries, and in certain respects the Peruvian securities markets are not as highly regulated and supervised as the securities markets in other jurisdictions.

The perception of higher risk in other emerging economies may materially and adversely affect the Peruvian economy, our business and the market price of securities issued by Peruvian issuers, including the notes.

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may materially and adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and materially and adversely affect the Peruvian economy in general, and the interest of investors in our notes, in particular. We cannot assure you that investors' interest in Peru, and in our notes, will not be materially and adversely affected by events in other emerging markets or the global economy in general.

Risks Relating to the Notes and Guarantees

Our substantial indebtedness may make it difficult for us to service our debt, including the notes, and to operate our businesses.

We have, and after the offering of the notes will continue to have, a significant amount of indebtedness. As of September 30, 2020, after excluding intercompany balances and intercompany guarantees, calculated on a

pro forma basis and adjusted to give effect to this offering of notes, including the application of the net proceeds thereof, as if all such transactions had occurred on September 30, 2020, we and the guarantors had US\$933.6 million of outstanding consolidated indebtedness, all of which was unsecured. We anticipate that our substantial indebtedness will continue for the foreseeable future. Our substantial indebtedness may have important negative consequences for you, including:

- making it more difficult for us and the guarantors to satisfy our obligations with respect to our debt, including the notes and other liabilities;
- requiring that a substantial portion of the cash flow from operations of our operating subsidiaries be dedicated to debt service obligations, thus reducing the availability of cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and the guarantors' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

In the worst case, an actual or impending inability by us or the guarantors to pay debts as they become due and payable could result in our insolvency.

Despite our current substantial indebtedness, we may incur additional debt ranking equally to the notes or secured debt, which could further exacerbate the risks of our indebtedness.

Subject to the limitations contained therein, the indenture allows us to incur additional debt that ranks on an equal and ratable basis with the notes. If we incur any additional debt that ranks on an equal and ratable basis with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of us subject to satisfaction of certain debt limitations. We may also incur additional debt that could mature prior to the notes. This may have the effect of reducing the amount of proceeds paid to you. Subject to certain limitations, we also have the ability to incur collateralized debt and such debt would be effectively senior to the notes to the extent of the value of such collateral. Any such additional debt could further exacerbate the risks of our indebtedness. See "Description of Notes—Covenants—Limitation on Liens."

The notes will be structurally subordinated to the indebtedness and other liabilities of certain of our present and future subsidiaries that do not become guarantors.

The notes are not guaranteed by all of our present subsidiaries and may not be guaranteed by all of our future subsidiaries and therefore will be structurally subordinated to the outstanding indebtedness and other liabilities of certain of our present and future subsidiaries that do not become guarantors. If one of our subsidiaries who is not a guarantor were to be liquidated, the creditors of that subsidiary would be paid in full from the assets of the liquidated subsidiary before holders of notes would be paid from those assets. As of September 30, 2020, our non-guarantor subsidiaries had total debt of US\$12.6 million. For the nine months ended September 30, 2020, the combined revenues of the Company and the Guarantors were US\$355.6 million, representing 100% of our consolidated revenues. As of September 30, 2020, the combined assets of the Company and the guarantors were US\$1,994.1 million, representing 92% of our consolidated assets. See "Description of Notes—Subsidiary Guarantees".

The notes and the guarantees will not be secured by any of our assets and therefore are effectively subordinated to any of our and our guarantors' existing and future secured indebtedness.

The notes and the guarantees are general unsecured obligations ranking effectively junior in right of payment to all of our and our guarantors' existing and future secured debt obligations to the extent of the value of the collateral securing such debt. In addition, the indenture governing the notes permits the incurrence of additional debt, some of which may be secured debt. In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, creditors whose debt is secured by our assets and those of the guarantors will be entitled to the remedies available to secured holders under applicable laws, including foreclosure on collateral securing such debt, before any payment may be made with respect to the notes or the affected guarantees. As a result, there may be insufficient assets to pay amounts due on the notes and holders of the notes may receive less, ratably, than the holders of secured indebtedness. As of September 30, 2020, we did not have any secured debt.

The results of operations of the guarantors and restrictions on the ability of our subsidiaries to make dividend payments or other distributions to us could affect our ability to make payments on the notes.

Some of our assets are held by the guarantors. Accordingly, the results of operations of the guarantors could affect our ability to make principal or interest payments on the notes. The ability of the guarantors to make dividend or other payments to us are affected by, among other factors, the obligations of our guarantors to their creditors, requirements of the relevant corporate and other laws in the jurisdiction in which each guarantor operates, and restrictions contained in agreements entered into by or relating to these entities. In the event that we do not receive dividend or other payments from the guarantors, we may not be able to make required principal and interest payments on our indebtedness, including the notes, or honor our other obligations, and you may be forced to make a claim against the guarantors.

To the extent that any of our future subsidiaries do not become guarantors, such non-guarantor subsidiaries would not have an obligation to pay amounts due on the notes or to make funds available to us for that purpose. While the indenture governing the notes limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to us, these limitations are subject to certain qualifications and exceptions.

Our obligations under the notes and the guarantees will be subordinated to certain statutory liabilities.

Under Peruvian bankruptcy law (*Ley General del Sistema Concursal*), Law No. 27809, our obligations under the notes and the guarantees are subordinated to certain statutory preferences. In the event of our liquidation, such statutory preferences, including claims for salaries, wages, secured obligations to the extent of the value of the assets securing such indebtedness, social security, taxes, court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the notes and the guarantees.

It is possible that the guarantees may not be enforceable in the event of insolvency or bankruptcy or may be limited as to enforcement.

The guarantees provide a basis for a direct claim against the guarantors. However, it is possible that the guarantees may not be enforceable under the law of the jurisdiction of the organization of such guarantor or U.S. federal or state law. In particular, while the laws of these jurisdictions do not prevent the guarantees from being granted, in the event that a guarantor is declared insolvent or bankrupt, the relevant guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it provided its guarantee:

- issued such guarantee by means of misrepresentation;
- provided the guarantee with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to provide, or believed that it would provide, the guarantee beyond its ability to repay it upon its maturity.

If a court were to find that the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under such guarantee or subordinate the guarantee to presently existing and future indebtedness of the applicable guarantor, or require the holders of the notes to repay any amounts received in respect of such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any payment on the notes in respect of such guarantee.

Although each guarantee entered into by a subsidiary will contain a provision intended to limit such guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes its guarantee worthless. In a Florida bankruptcy case, a similar provision was found to be ineffective to protect the guarantees. We do not know if that case will be followed if there is litigation on this point under the indenture governing the notes. However, if it is followed, the risk that the guarantees will be found to constitute a fraudulent transfer or conveyance will be significantly increased.

Holders of the notes may find it difficult to enforce civil liabilities against us, our directors, officers and the guarantors.

The issuer and the guarantors are organized under the laws of Peru. All of our directors and officers reside outside of the United States. In addition, all or a substantial portion of our assets are located outside of the United States. As a result, it may be difficult for holders of the notes to effect service of process within the United States on such persons or to enforce judgments against them or us, including in any action based on civil liabilities under the U.S. federal securities laws. There is uncertainty as to the enforceability against such persons in Peru, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, treatment of intercompany debt, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. See "Service of Process and Enforcement of Civil Liabilities."

The notes and the guarantees are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The offer and sale of the notes and the guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction and the notes are being offered and sold only to qualified institutional buyers within the meaning of Rule 144A and in offshore transactions to persons other than U.S. persons pursuant to Regulation S. The notes and the guarantees will constitute a new issue of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling the new notes or may be unable to sell them at all. We have applied to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange.

There are restrictions on your ability to transfer the notes.

The notes and the guarantees have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see "Plan of Distribution" and "Transfer Restrictions." Consequently, a holder of notes and an owner of

beneficial interests in those notes must be able to bear the economic risk of their investment in the notes and the guarantees for the term of the notes and the guarantees.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes.

Under the indenture governing the notes, if a Change of Control Triggering Event (as defined in “Description of Notes—Change of Control Triggering Event” and “—Certain Definitions”) occurs, we must offer to purchase the notes for a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to the date of purchase. In the event of a Change of Control Triggering Event, we may need to refinance large amounts of our debt, including the notes and indebtedness under certain of our credit facilities or other debt instruments. We may not have sufficient funds available to us to make any required repurchases of the notes upon a Change of Control Triggering Event. If we fail to repurchase the notes in those circumstances, we will be in default under the indenture, which default may, in turn, trigger cross-default provisions in our other debt instruments. Any future debt that we incur may also contain restrictions on repurchasing the notes upon a Change of Control Triggering Event.

Certain of our assets are held in trust and thus may not be available to us in the case of a bankruptcy.

We and our subsidiaries Empresa Administradora Cerro and Compañía Minera Chungar (formerly Empresa Administradora Chungar S.A.C.) each executed and entered into separate administrative trust agreements with Banco Internacional del Perú S.A.A. (Interbank), as trustee, in 2013, 2013 and 2015, respectively. Under these trust agreements, we and our subsidiaries established and transferred in trust all amounts owed to each of us by certain of our customers (the “Collection Rights”) and all sums of money from such credit rights (the “Cash Flows”). As of the date of this listing memorandum, the trusts serve as a mechanism for us and our subsidiaries to administer all of our current operating and financial expenses. We and our subsidiaries are currently the sole beneficiaries of each of our respective trusts, and such trusts do not currently guarantee any of our obligations to any third party. Nonetheless, if we were to enter bankruptcy, our rights to collect, including the Collection Rights and Cash Flows, from the trust as beneficiaries would be put into the bankruptcy estate and would not be available to us, including to make payments under the notes, which could material adversely affect our ability to make payments under the notes.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

Developments in other countries may adversely affect the market value of the notes.

The market price of the notes may be adversely affected by developments in the international financial markets and world economic conditions. Peruvian securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America and other emerging markets. Although economic conditions are different in each country, investor reaction to the developments in one country may affect the securities of issuers in other countries, including Peru. We cannot assure you that the market for the securities of Peruvian issuers will not be affected negatively by events elsewhere or that such developments will not have a negative impact on the market value of the notes.

USE OF PROCEEDS

The total net proceeds from the offering of the notes are estimated to be US\$468,000,000 after deducting the discount paid to the initial purchasers and estimated legal fees and all other expenses payable by us in connection with the offering. The proceeds from the issuance of the notes will be used to purchase for cash up to US\$120,000,000 aggregate principal amount of our outstanding 2022 Notes that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding the tender premium. The remainder, if any, will be used to fully repay (i) the US\$300,000,000 aggregate principal amount outstanding under the credit agreement, dated August 13, 2020 (the “Credit Facility”), between us, the guarantors party thereto, certain lenders, The Bank of Nova Scotia, as administrative agent, Banco Santander, S.A. and The Bank of Nova Scotia as joint lead arrangers and bookrunners, Banco BTG Pactual S.A. – Cayman Branch, Banco de Crédito del Perú and Banco Interamericano de Finanzas – BANBIF, as mandated lead arrangers, and Bancaribe Curacao Bank N.V., Banco Internacional del Perú S.A.A. and Banco Pichincha, as participants and (ii) the US\$30,625,000 outstanding under the credit agreement, dated January 20, 2017 (the “Credit Agreement”), between us and Citibank, N.A., acting through its international banking facility, as lender, as amended by the amendment to loan agreement, dated January 8, 2020, the second amendment to the Credit Agreement, dated September 23, 2020, and the third amendment to the Credit Agreement, dated January 29, 2021, with the remainder for general corporate purposes. Should the Tender Offer not be consummated, we intend to use the proceeds from this offering to fully repay the US\$300,000,000 aggregate principal amount outstanding under our Credit Facility, to fully repay the US\$30,625,000 outstanding under the Credit Agreement and to repay other short and medium-term indebtedness. Any remaining balance in the proceeds will be used for general corporate purposes.

Any amounts that we repay under the Credit Facility and the Credit Agreement with the proceeds of this offering of notes corresponds to amounts payable to certain of the initial purchasers and/or certain of their affiliates.

CAPITALIZATION

The following table sets forth our capitalization in accordance with IFRS at September 30, 2020 and as adjusted to give effect to the offering of the notes, the intended uses of proceeds thereof and the consummation of the Tender Offer. See “Use of Proceeds” and “Summary—Concurrent Tender Offer.” This table is qualified in its entirety by reference to, and should be read together with, our unaudited interim condensed consolidated financial statements, including the notes thereto, included elsewhere in this listing memorandum and with “Presentation of Financial and Other Information,” “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of September 30, 2020	
	Actual⁽¹⁾	As Adjusted⁽²⁾
	(In millions of U.S. dollars)	
Cash and cash equivalents		
Cash and cash equivalents	97.9	110.8
Short-term debt		
Short-term financial obligations	48.9	31.4
Total short-term debt	48.9	31.4
Long-term debt		
Long-term financial obligations	867.3	434.2
Notes offered hereby	-	468.0
Total long-term debt	867.3	902.2
Net equity		
Share capital	1,134.3	1,134.3
Treasury shares	(60.9)	(60.9)
Legal reserve	11.8	11.8
Share premium	(173.2)	(173.2)
Unrealized loss	(7.5)	(7.5)
Accumulated results ⁽³⁾	(405.0)	(409.5)
Total net equity⁽³⁾	499.5	495.0
Total capitalization	1,415.7	1,428.6

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- (1) The capitalization table above includes (i) US\$535,264,000 principal outstanding under the 2022 Notes, as of September 30, 2020, given that under IFRS debt is recorded at its amortized cost using the effective interest rate method (amortized cost is calculated by taking into account any initial premium or discount on the notes and includes any transaction costs that are an integral part of the effective interest rate) and (ii) accrued interest of US\$5.0 million owed under the 2022 Notes, as of September 30, 2020. We intend to repay up to US\$120 million nominal amount of the 2022 Notes, assuming all the full capped amount of our outstanding 2022 Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents, with the net proceeds of this offering.
- (2) As adjusted to reflect (i) the receipt of the estimated net proceeds from the issuance of the notes, after deduction of expenses and the underwriting discount associated with the offering, of US\$468.0 million, (ii) the payment of the up to US\$120.0 million purchase price under the Tender Offer, excluding the tender premium, assuming the full capped amount of our outstanding 2022 Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents, (iii) the payment of US\$300.0 million under our Credit Facility, (iv) the payment of US\$30.6 million under our Credit Agreement and (v) an increase of US\$12.9 million in our cash and cash equivalents.
- (3) As adjusted to reflect expenses related to the Tender Offer, including the payment of the tender premium, which is estimated to be US\$4.5 million.

Except as set forth above, there have been no material changes to our total capitalization since September 30, 2020.

EXCHANGE RATES

Currently, Peruvian law does not impose any restrictions on the ability of companies having operations in Peru to transfer foreign currencies from Peru to other countries, to convert soles into any foreign currency or to convert any foreign currency into soles. Companies may freely remit interest and principal payments abroad and investors may repatriate capital from liquidated investments. Peruvian law in the past has imposed restrictions on the conversion of Peruvian currency and the transfer of funds abroad, and we cannot assure you that Peruvian law will continue to permit such payments, transfers, conversions or remittances without restrictions.

The following table sets forth the high, low, period-end and average exchange rates for the periods indicated, expressed in soles per U.S. dollar.

	Exchange Rates			
	High	Low	Period-end	Average
2014.....	2.990	2.761	2.989	2.839
2015.....	3.413	2.983	3.413	3.186
2016.....	3.538	3.250	3.360	3.377
2017.....	3.392	3.232	3.245	3.262
2018.....	3.386	3.208	3.379	3.288
2019.....	3.405	3.285	3.317	3.339
2020:				
January.....	3.376	3.305	3.376	3.329
February.....	3.451	3.360	3.451	3.392
March.....	3.568	3.423	3.442	3.494
April.....	3.462	3.356	3.383	3.400
May.....	3.455	3.390	3.434	3.424
June.....	3.541	3.391	3.541	3.472
July.....	3.549	3.497	3.529	3.519
August.....	3.593	3.540	3.547	3.566
September.....	3.599	3.527	3.599	3.557
October.....	3.620	3.572	3.615	3.598
November.....	3.662	3.577	3.610	3.611
December.....	3.624	3.587	3.624	3.606
2021:				
January.....	3.653	3.613	3.647	6.625
February (through February 3).....	3.641	3.640	3.640	3.641

Source: SBS and Peruvian Central Bank.

On February 3, 2021 the exchange rate was S/ 3.640 per U.S. dollar.

SELECTED CONSOLIDATED FINANCIAL DATA

We set forth below certain financial and operating data as of and for the years ended December 31, 2018 and 2019 and the nine-month periods ended September 30, 2019 and 2020. Our interim condensed consolidated financial data as of and for the nine-month periods ended September 30, 2019 and 2020 is unaudited.

You should read this information together with our audited consolidated financial statements and unaudited interim condensed consolidated financial statements, and related notes, included elsewhere in this listing memorandum, as well as the information presented in the sections “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These results are not necessarily indicative of our future results of operations or financial condition.

	As of or for the year ended December 31,		As of or for the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars, except for ratios, cash cost, production data, reserves and resources, and prices)			
Consolidated Statement of Comprehensive Income				
Net Sales	775.1	743.6	536.3	355.6
Cost of sales	(546.4)	(596.4)	(453.5)	(355.8)
Gross profit	228.7	147.2	82.7	(0.2)
Administrative expenses.....	(61.9)	(58.3)	(40.2)	(26.8)
Selling expenses	(27.2)	(23.2)	(16.7)	(10.8)
Other income	56.3	66.8	51.9	28.6
Other expenses	(77.4)	(119.9)	(43.5)	(19.3)
Reversal of impairment of long-lived assets	110.0	35.6	-	-
Impairment loss of long-lived assets	(69.3)	(19.6)	-	-
Operating profit (losses).....	159.3	28.6	34.2	(28.5)
Financial income (expenses)	(44.8)	(46.5)	(36.0)	(39.4)
Profit (loss) before income tax	114.5	(17.9)	(1.8)	(67.9)
Income tax expenses.....	(85.1)	(52.4)	(15.5)	(1.8)
Net (loss) profit.....	29.4	(70.3)	(17.3)	(69.7)
Consolidated Statement of Financial Position				
Cash and cash equivalents.....	63.0	33.8	n/a	97.9
Accounts receivable commercial	41.8	36.2	n/a	21.5
Other accounts receivable	168.6	73.9	n/a	65.4
Other financial assets.....	0.7	5.4	n/a	0.0
Inventories	64.6	36.7	n/a	37.1
Assets classified as held for sale ⁽¹⁾	-	302.0	n/a	300.1
Total current assets	338.7	488.0	n/a	522.0
Other accounts receivable	7.0	8.0	n/a	7.2
Financial investments	53.3	193.8	n/a	191.3
Inventories (net)	7.8	-	n/a	-
Property, plant and equipment, net.....	978.2	676.8	n/a	647.2
Right-of-use assets	-	22.5	n/a	11.2
Mining concessions, costs of exploration and development costs, and other intangibles (net)	840.1	780.1	n/a	780.2
Total non-current assets	1,886.3	1,681.2	n/a	1,637.0
Total assets	2,225.0	2,169.2	n/a	2,159.0
Total current liabilities	556.4	700.0	n/a	483.5
Total non-current liabilities	1,020.4	898.4	n/a	1,176.1
Total liabilities	1,576.8	1,598.4	n/a	1,659.5
Total net equity	648.2	570.7	n/a	499.5
Total liabilities and net equity.....	2,225.0	2,169.2	n/a	2,159.0
Consolidated Statement of Cash Flow				
Cash from operating activities.....	235.4	216.6	168.3	105.4
Cash used in investing activities	(193.3)	(171.1)	(139.2)	(82.4)
Cash resulting from (used in) financing activities	(81.0)	(72.2)	(53.5)	49.7
Net increase (decrease) in cash and cash equivalents	(38.9)	(26.7)	(24.4)	72.7

	As of or for the year ended December 31,		As of or for the nine months ended September 30,	
	2018	2019	2019	2020
(In millions of U.S. dollars, except for ratios, cash cost, production data, reserves and resources, and prices)				
Other Items				
Depreciation and amortization	168.0	201.3	148.8	106.6
Interest expense ⁽²⁾	37.9	38.8	29.0	29.0
Adjusted EBITDA ⁽³⁾	288.8	244.1	172.5	102.7
Ratio of financial debt to Adjusted EBITDA ⁽⁴⁾	2.7x	3.2x	3.6x	5.2x
Adjusted EBITDA coverage ratio ⁽⁵⁾	7.6x	6.3x	5.9x	3.5x
Capital expenditures ⁽⁶⁾	184.9	194.0	131.1	65.7
Working capital ⁽⁷⁾	(217.8)	(212.0)	(247.0)	38.5
Sales by metal and adjustments				
Zinc	488.6	421.4	314.4	159.0
Silver	220.7	206.5	143.1	139.0
Lead	92.5	83.8	59.9	43.4
Copper	16.3	13.9	10.8	7.3
Gold	13.4	28.5	20.5	9.3
Subtotal	831.5	754.1	548.6	357.9
Settlement of prior period adjustment	(34.5)	(15.7)	(5.2)	(16.5)
Adjustment for open positions	(8.0)	(2.4)	(7.1)	7.3
Hedging results	(13.9)	7.5	0.0	6.8
Total	775.1	743.6	536.3	355.6
Reserves and Resources				
Reserves (in millions of tonnes)				
Proven	15.9	10.1	n/a	n/a
Probable	18.4	22.6	n/a	n/a
Total	34.3	32.7	n/a	n/a
Resources (in millions of tonnes)				
Measured	55.7	53.9	n/a	n/a
Indicated	89.3	100.1	n/a	n/a
Inferred	360.2	377.0	n/a	n/a
Total	505.2	531.1	n/a	n/a
Total Reserves and Resources	539.5	563.8	n/a	n/a
Cash Cost				
Zinc (U.S. dollars per finished metric tonne)	1,200	1,216	1,267	1,093
Silver (U.S. dollars per ounce)	(8.5)	(4.1)	(4.9)	4.6
Fine Metal Production				
Zinc (in thousands of tonnes)	241.1	239.0	174.2	117.5
Silver (in millions of ounces)	17.0	15.6	11.2	8.3
Lead (in thousands of tonnes)	47.2	49.4	35.6	29.1
Copper (in thousands of tonnes)	4.6	4.5	3.4	2.3
Gold (in thousands of ounces)	11.6	21.6	15.9	6.9
Average Spot Prices				
Zinc (US\$/tonne – LME SHG Sett)	2,925	2,549	2,604	2,142
Silver (US\$/ounce – London Spot)	15.7	16.2	15.8	19.2
Lead (US\$/tonne – LME Sett)	2,244	1,998	1,984	1,798
Copper (US\$/tonne – LME Sett)	6,525	6,005	6,004	5,833
Gold (US\$/ounce – London Spot)	1,270	1,393	1,363	1,735

- (1) See Note 31 to our unaudited interim condensed consolidated financial statements as of September 30, 2020, with respect to the change in the accounting treatment of assets held for sale, subsequent to such period-end. See “Summary—Recent Developments—Termination of Purchase Agreement in respect of Sales of Certain of our Subsidiaries.”

- (2) The components of interest expense are as follows:

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Interest Expense				
Syndicated loan	0.0	0.0	0.0	1.4
Financial institutions	7.5	8.3	6.2	4.7
Third parties (bonds)	30.2	30.2	22.7	22.7
Financial leasing	0.2	0.2	0.1	0.3
Total interest expense.....	37.9	38.8	29.0	29.0

- (3) EBITDA is calculated as net (loss) profit for the year/period before income tax expense, financial expenses (income), depreciation and amortization during such period. Adjusted EBITDA is calculated by eliminating from the calculation of EBITDA: (a) any non-recurring items during such period, (b) gains or losses on the sale of property (other than the sale of property in the ordinary course of business) during such period, (c) any other non-cash items deducted from or included in the calculation of pre-tax net income for such period (other than items that will require cash payments and for which an accrual or reserve has been, or is required by IFRS to be, made), and (d) foreign exchange gains or losses upon loans and foreign currency translation adjustments or monetary correction and bank charges. We believe that EBITDA and Adjusted EBITDA, while providing useful information, should not be considered in isolation or as a substitute for net income as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity. Additionally, our calculation of EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore, comparability may be affected.

The following table sets forth the Adjusted EBITDA reconciliation:

	As of and for the year ended December 31,		As of and for the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Net (loss) profit	29.4	(70.3)	(17.3)	(69.7)
Income tax expense.....	85.1	52.4	15.5	1.8
Financial expenses (income) ⁽¹⁾	39.9	43.9	33.5	31.1
Depreciation and amortization	168.0	201.3	148.8	106.6
EBITDA	322.4	227.3	180.5	69.8
Adjustments ⁽²⁾	(33.6)	16.8	(8.0)	32.9
Adjusted EBITDA	288.8	244.1	172.5	102.7

⁽¹⁾ Excluding exchange difference loss, net and bank charges.

⁽²⁾ The components of the adjustments are as follows:

	As of and for the year ended December 31,		As of and for the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Adjustments				
COVID-19 operational stoppage.....	0	0	0	24.6
Deconsolidation of CSPCP	0	(12.3)	(12.3)	0
Impairment loss of long-lived assets, net of reversal.....	(42.5)	(15.3)	0	0
VAT impairment.....	0	24.1	0	0
Doubtful recovery provision	5.5	3.4	0	0
Adjustment of contingencies provision.....	4.1	5.0	1.2	0
Adjustment of inventories	2.0	5.7	0	0
Net present value change of mine closure and communities agreements	0	1.9	0	0
Others.....	(3.5)	1.7	0.6	0
Exchange difference loss, net	4.1	(1.1)	1.3	5.2
Bank charges.....	0.8	3.7	1.2	3.1
Adjustments	(33.6)	16.8	(8.0)	32.9

- (4) The following table sets forth a description of our financial debt:

	As of the year ended December 31,		As of the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Financial debt				
Syndicated loan.....	0.0	0.0	0.0	296.6
Financial institutions.....	243.2	221.7	227.1	48.8
Third parties (bonds).....	535.3	535.3	535.3	535.3
Financial leasing	3.0	6.8	6.9	11.3

Operating leases (IFRS 16).....	0.0	23.2	29.1	17.5
Total financial debt.....	781.5	787.0	798.3	909.6

- (5) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA for the applicable period to interest expense for the same period.
- (6) Capital expenditures differ from cash used in investing activities because cash used in investing activities includes investments accrued in previous periods paid during the current period and excludes investments accrued in the current period but not paid in the current period. The components of capital expenditures are as follows:

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Capital Expenditures				
Local exploration.....	22.4	23.1	17.1	5.4
Mine development	76.9	70.8	53.5	25.5
Plants and tailing facilities	35.3	30.8	16.3	10.6
Mine and infrastructure	24.2	34.3	24.1	16.1
Electrical infrastructure in units	8.2	6.3	3.4	1.3
Regional explorations.....	3.5	4.2	3.1	0.6
Romina Project*	2.8	7.8	3.1	1.4
Energy.....	3.8	2.5	2.2	0.3
Support and others.....	7.9	14.2	8.3	4.5
Total capital expenditures	184.9	194.0	131.1	65.7

* For a description of the projects, see “Business—Growth Projects.”

- (7) Working capital is current assets less current liabilities.

SELECTED OPERATING DATA

The following table sets forth a summary of our production and sales data for each of the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020. For more information regarding such data, see “Business.”

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
Summary Operating Data				
Treated Mineral (in thousands of dry tonnes).....	8,077	8,809	6,425	4,414
Concentrate Production				
Zinc (in thousands of tonnes)	463.2	454.3	332.8	222.3
Lead (in thousands of tonnes).....	48.8	56.4	41.2	31.2
Copper (in thousands of tonnes).....	11.7	11.3	8.8	5.2
Bulk (in thousands of tonnes).....	50.3	45.8	33.1	26.5
Fine Metal Production				
Zinc (in thousands of tonnes)	241.1	239.0	174.2	117.5
Silver (in millions of ounces).....	17.0	15.6	11.2	8.3
Lead (in thousands of tonnes).....	47.2	49.4	35.6	29.1
Copper (in thousands of tonnes).....	4.6	4.5	3.4	2.3
Gold (in thousands of ounces).....	11.6	21.6	15.9	6.9
Average Ore Grade				
Zinc (%)	3.8%	3.5%	3.1%	3.2%
Silver (ounces per tonne).....	2.9	2.6	2.6	2.8
Lead (%).....	0.8%	0.8%	0.7%	0.8%
Copper (%).....	0.1%	0.1%	0.1%	0.1%
Reserves and Resources (in millions of tonnes)				
Reserves				
Proven	15.9	10.1	n/a	n/a
Probable	18.4	22.6	n/a	n/a
Total	34.3	32.7	n/a	n/a
Resources				
Measured.....	55.7	53.9	n/a	n/a
Indicated.....	89.3	100.1	n/a	n/a
Inferred.....	360.2	377.0	n/a	n/a
Total	505.2	531.1	n/a	n/a
Total Reserves and Resources	539.5	563.8	n/a	n/a
Production of Metal Contained per Mining Unit and Project				
Cerro de Pasco				
Zinc (in thousands of tonnes)	11.2	17.5	12.0	8.9
Silver (in millions of ounces).....	0.4	0.8	0.5	0.4
Lead (in thousands of tonnes).....	3.7	6.3	4.1	3.4
Chungar				
Zinc (in thousands of tonnes)	74.9	74.7	55.2	35.2
Silver (in millions of ounces).....	3.9	3.2	2.3	1.7
Lead (in thousands of tonnes).....	18.1	18.4	13.1	10.6
Copper (in thousands of tonnes).....	1.3	1.2	0.8	0.7
Yauli				
Zinc (in thousands of tonnes)	146.6	140.9	102.7	69.0
Silver (in millions of ounces).....	7.8	7.0	5.1	3.8
Lead (in thousands of tonnes).....	19.1	20.0	15.1	11.8
Copper (in thousands of tonnes).....	2.9	2.9	2.3	1.4
Óxidos de Pasco				
Silver (in millions of ounces).....	3.4	3.4	2.3	1.7
Gold (in thousands of ounces).....	4.1	15.4	11.5	3.2
Alpamarca				
Zinc (in thousands of tonnes)	8.4	5.9	4.3	4.4
Silver (in millions of ounces).....	1.5	1.2	0.9	0.8
Lead (in thousands of tonnes).....	6.2	4.7	3.3	3.2
Copper (in thousands of tonnes).....	0.4	0.4	0.3	0.2
Average Ore Grade per Mining Unit and Project				
Cerro de Pasco				
Zinc (%)	1.9%	1.9%	1.9%	1.8%
Silver (ounces per tonne)	0.6	0.8	0.8	0.7

Lead (%).....	0.5%	0.6%	0.6%	0.6%
Chungar				
Zinc (%)	4.8%	4.7%	4.7%	4.6%
Silver (ounces per tonne)	2.8	2.3	2.3	2.4
Lead (%).....	1.2%	1.2%	1.1%	1.4%
Copper (%).....	0.1%	0.1%	0.1%	0.1%
Yauli				
Zinc (%)	4.9%	4.8%	4.7%	5.1%
Silver (ounces per tonne)	2.8	2.5	2.5	3.1
Lead (%).....	0.7%	0.7%	0.7%	0.9%
Copper (%).....	0.2%	0.2%	0.2%	0.2%
Óxidos de Pasco				
Silver (ounces per tonne)	8.1	8.8	8.4	9.3
Gold (grams per tonne).....	0.2	0.7	0.7	0.3
Alpamarca				
Zinc (%)	1.0%	0.7%	0.7%	1.0%
Silver (ounces per tonne)	1.7	1.4	1.4	1.7
Lead (%).....	0.7%	0.5%	0.5%	0.7%
Copper (%).....	0.1%	0.0%	0.0%	0.1%
Reserves and Resources per Mining Unit (excluding inferred resources)				
Cerro de Pasco				
Reserves (in millions of tonnes)	2.1	0.0	n/a	n/a
Resources (in millions of tonnes)	2.1	2.1	n/a	n/a
Total (in millions of tonnes)	4.2	2.1	n/a	n/a
Chungar				
Reserves (in millions of tonnes)	8.3	10.0	n/a	n/a
Resources (in millions of tonnes)	14.7	21.1	n/a	n/a
Total (in millions of tonnes)	23.0	31.1	n/a	n/a
Yauli				
Reserves (in millions of tonnes)	21.5	20.9	n/a	n/a
Resources (in millions of tonnes)	57.0	45.4	n/a	n/a
Total (in millions of tonnes)	68.5	66.3	n/a	n/a
Alpamarca				
Reserves (in millions of tonnes)	2.5	1.8	n/a	n/a
Resources (in millions of tonnes)	3.4	2.9	n/a	n/a
Total (in millions of tonnes)	5.9	4.7	n/a	n/a

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on our consolidated financial statements and should be read in conjunction with such financial statements and the notes thereto included elsewhere in this listing memorandum, as well as the data set forth in "Selected Consolidated Financial Data" and "Summary Consolidated Financial Data." Our audited consolidated financial statements as of December 31, 2018 and 2019 and for each of the years ended December 31, 2018 and 2019, and our unaudited condensed consolidated financial statements as of and for the nine month-periods ended September 30, 2019 and 2020 have been prepared in U.S. dollars in accordance with IFRS and IAS 36, respectively. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this listing memorandum, particularly in "Risk Factors."

Overview

We are a diversified Peruvian mining company and a major global producer of zinc, silver and lead. We began operations in the early 1940s and have consistently ranked among the largest producers of these metals globally every year from 2006 to 2019, according to Wood Mackenzie and GFMS. We were the second-leading producer of zinc and lead and the third-leading producer of silver in Peru in the first nine months of 2020, according to the Ministry of Energy and Mines. Glencore, through Glencore International, is our controlling shareholder. See "Principal Shareholders and Description of Share Capital—Primary Shareholder" for further information on Glencore.

Our operations are divided into five main units that currently consist of eight mines in operation, six concentrator plants and one leaching plant extending across the Junin and Pasco departments in Peru, with the largest mine accounting for approximately 16% of our 2019 treated tonnage. Our mining units are all located between 170 and 295 kilometers from Lima, in the Central Andean region, a center of mining activity in Peru for centuries. As of December 31, 2019, our proven and probable reserves represented an average mine life of six years at 2019 production levels and our resources supported 13 additional years of average mine life (in each case, excluding the Cerro de Pasco Unit and the Óxidos de Pasco Unit). We have 354,000 hectares of concessions in a region with high geological potential, 58% of which remain unexploited and unexplored.

In the nine-month period ended September 30, 2020, we had sales of US\$355.6 million, net loss of US\$69.7 million and Adjusted EBITDA of US\$102.7 million. In the first nine months of 2020, zinc represented 44%, silver represented 39%, lead represented 12%, gold represented 3% and copper represented 2% of our sales by value. For the year ended December 31, 2019, we had sales of US\$743.6 million, net loss of US\$70.3 million and Adjusted EBITDA of US\$244.1 million. In 2019, zinc represented 56%, silver represented 27%, lead represented 11%, copper represented 2% and gold represented 4% of our sales by value. In 2019, we treated 8.8 million dry tonnes of ore grading 3.2% zinc, 2.6 silver ounces per tonne, 0.7% lead and 0.1% copper. We are currently developing projects to expand our production, including our Romina, Carhuacayán, Zoraida and Palma projects. See "Business—Growth Projects."

Key Factors Affecting Our Business and Results of Operations

Metal Prices. Our financial performance is significantly affected by the market prices of zinc, lead, silver and, to a lesser extent, copper. Metal prices have historically been subject to wide fluctuations and are affected by numerous factors beyond our control. These factors, which affect each metal to varying degrees, include international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others, and, to a lesser degree, inventory carrying costs and currency exchange rates. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to speculative activities. For example, the COVID-19 pandemic had an initial negative downward effect, followed by a considerable increase on base metal prices during the last eight months of 2020. The following table sets forth the average published market prices for the metals and periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
Zinc (US\$/tonne – LME SHG Sett)	2,925	2,549	2,604	2,142
Silver (US\$/ounce – London Spot)	15.70	16.20	15.80	19.20
Lead (US\$/tonne – LME Sett)	2,244	1,998	1,984	1,798
Copper (US\$/tonne – LME Sett)	6,525	6,005	6,004	5,833
Gold (US\$/ounce – London Spot)	1,270	1,393	1,363	1,735

The key drivers and recent trends of each of the metals that we produce are:

- *Zinc* is a major component of the construction and automotive industries, mainly due to its galvanizing applications. While base metal prices were initially impacted by the COVID-19 pandemic, such prices, including the price of zinc, have increased in recent months due primarily to the recovery from the global economic crisis caused by the COVID-19 pandemic, reaching US\$2,451 per tonne as of September 30, 2020.
- *Silver* is generally seen as store of value and therefore its price tends to be resilient in times of economic uncertainty. In addition, applications in electronics and solar cells have added to the already wide spread uses of silver in photography, currency, jewelry and silverware. After falling to US\$17.965 per ounce in the beginning of 2020 as a result of the uncertainty related to the global economic crisis stemming from the COVID-19 pandemic, silver prices have increased to an average US\$19.220 per ounce in the first nine months of 2020. As of September 30, 2020, the price of silver was US\$25.886 per ounce.
- *Lead* is used as energy storage and in certain other products such as ammunition, oxides in glass and ceramics, casting metals and sheet lead. As in the case of zinc, lead prices have also been guided by recent world economic events as a result of the COVID-19 pandemic. However, lead's own demand structure as an energy storing metal has resulted in its price diverging from zinc, with lower prices in several periods since late 2016. Opposition to lead-related projects has hampered the potential for increased demand for lead amid more battery demand. High rates of car penetration in countries like Brazil, Russia, India and China is eventually expected to result in increased lead orders for battery production. New technologies have also created new demand for lead such as mobile data networks and electronic personal vehicles such as e-bikes. As of September 30, 2020, the price of lead was US\$1,881.36 per tonne.
- *Copper* is used for building construction, power generation and transmission, electronic product manufacturing, and the production of industrial machinery and transportation vehicles. Similar to the other metals described above, the price of copper was also initially negatively impacted as a result of the global economic crisis stemming from the COVID-19 pandemic. However, this decrease was followed by a considerable increase in the last eight months of 2020. As of September 30, 2020, the price of copper was US\$6,712.41 per tonne compared to US\$5,745.78 per tonne as of September 30, 2019.

For further information on the drivers and trends affecting these metals, see “Industry Overview.”

Production Volumes, Ore Grade and Metal Mix. Our production volumes, the grade of the ore from our mines and the mix of metals in our product portfolio affect our business performance. We have consistently ranked among the ten largest producers of zinc, silver and lead globally every year from 2006 to 2019, according to Wood Mackenzie and GFMS. We are also the second-leading producer of zinc and lead and the third-leading producer of silver in Peru in the first nine months of 2020, according to the Ministry of Energy and Mines. In the last two years, due to lower treated tonnage at the Yauli Unit and lower tonnage and grades at the Chungar Unit, our zinc and silver production has decreased. Our copper production has decreased primarily because of lower grades and recoveries at the Chungar Unit, while our lead production has declined, mainly due to lower ore grades and lower production volumes at the Chungar Unit. These decreases were partially offset by increasing production at the Cerro de Pasco Unit. See “Business—Operations—Mining Units—Cerro de Pasco Unit—Outlook.” We are currently using 82% of our installed capacity. Our reserves for all metals as of December 31, 2019 evidence grades that are consistent with those of the last few years. The following table sets forth our production for the metals and periods indicated, and the average ore grade of our reserves as of December 31, 2019.

	Average Ore Grade of Reserves as of	Year ended December 31,		Nine months ended September 30,	
	December 31, 2019	2018	2019	2019	2020
	(percentages and, in the case of silver, ounces per tonne)	(in thousand tonnes and million ounces in the case of silver)			
Zinc.....	4.8%	1,388	1,565	n/a	n/a
Silver.....	3.0	81	99	n/a	n/a
Lead.....	1.1%	306	371	n/a	n/a
Copper.....	0.2%	35	65	n/a	n/a

Costs and Expenses. Our ability to manage our costs and expenses affects our business performance. We strongly focus on controlling and limiting our costs and expenses so that we are better prepared to overcome less favorable pricing conditions. The quality and richness of our ore deposits and our economies of scale allow us to be one of the lowest cost metal producers worldwide. According to Wood Mackenzie, our operations are in the first quartile of the global zinc cash cost curve. Our unit cost of production decreased by 11.4% in the last five years, from US\$53.40 per MT in the third quarter of 2015 to US\$47.30 per MT in the third quarter of 2020.

The largest components of our cost structure are contractors' expenses, production materials and supplies, labor and energy expenses, which accounted for approximately 42%, 27%, 18% and 8%, respectively, of our production costs in the first nine months of 2020. In 2019, contractors' expenses accounted for approximately 41%, production materials and supplies accounted for approximately 28%, labor accounted for approximately 17% and energy expenses accounted for approximately 8% of our production costs. In the past we have been able to react quickly to commodity price cycles by reducing controllable costs, such as exploration projects and mining development, achieving significant cost reductions. For example, we quickly implemented a reduction plan of our operating and capital expenses in response to the global financial instability that was triggered by the COVID-19 pandemic, which allowed us to preserve liquidity. The combination of our cost reduction measures and the movements in prices resulted in the following changes in the cash costs of zinc and silver for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
	(U.S. dollars per finished metric tonne and per ounce in the case of silver)			
Cash Cost By-Product⁽¹⁾				
Zinc	1,200	1,216	1,267	1,093
Silver.....	(8.5)	(4.1)	(4.9)	4.6

(1) For the zinc cash cost calculation, silver, lead, copper and gold are considered as by-products. For the silver cash cost calculation, zinc, lead, copper and gold are considered by-products. Therefore, the by-products are not included in this table.

Commercial Terms. The commercial terms that we negotiate for our sales affect our business performance. We sell our products through long-term contracts, auctions and one-off agreements. In 2019, 75% of our sales were under long-term contracts and 25% under auctions. Our client base is composed of major global commodity traders and refineries. We have significant negotiating leverage and typically obtain very competitive commercial terms for our products. Our current commercial policy is to be fully contracted for at least the following six months of production up to a maximum of three years. Sales prices for our products are established principally by reference to prices quoted on the London Metal Exchange and London Bullion Market. Pricing is based on prevailing average prices for the relevant metal for a given period, generally for the month following shipment or close to the execution date. Revenues are recorded at provisional prices determined at the time of shipment. Usually, an adjustment is then made after delivery of the metal, based on the pricing terms contained in the applicable contract. Sales to trading companies accounted for approximately 57% of our sales by value in 2019 and 48% in the first nine months of 2020.

In marketing our products, we take advantage of our leading position in the Central Andean region in terms of tonnage and diversified high quality product offering. The Central Andes is home to several other major mining operations. As a result, this area is one of the most important concentrate hubs of the world. Trading companies have a long history in the region and are generally willing to accept premium terms for a significant share of our concentrates, as our volume and quality is needed to offset other producers' low volume and especially lower quality

concentrates. Because of the quality and volume of our production, we have several alternatives to choose from when placing our sales.

Hedging Operations. We generally use metal commodity futures in order to reduce the risk associated with metal price volatility. In addition, we may use foreign currency forwards to mitigate the risk related to our U.S. dollar revenues and certain payments we make in soles. Our hedging policy is approved by our board of directors and it currently consists of hedging up to 30% of the production of each metal for a maximum period of 12 months. The net result of hedging operations in the comprehensive income statement was a loss of US\$5.9 million in 2019 and a loss of US\$7.5 million in the first nine months of 2020. As of December 31, 2019, we had effective hedge transactions pending settlement with an accrued net effect of an unrealized gain of US\$3.9 million. As of September 30, 2020, there were no hedging transactions pending settlement. See “Risk Factors—Risks Relating to Our Business—We engage in hedging activity which may not be successful and may result in losses to us.” See also Notes 2(d) and 21 to our financial statements for further information on our hedging activity. Currently, 15% of our zinc production has been hedged with a price of approximately US\$2,560 per tonne.

Peruvian Inflation and Devaluation of the Sol. Our functional currency is the U.S. dollar. Approximately 40% of our expenses are denominated in soles. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru is not offset by a change in the exchange rate of the sol to the U.S. dollar, our financial position, results of operations and cash flows may be adversely affected to the extent that the inflation/devaluation effects are passed onto us by our suppliers or reflected in our wage adjustments. In addition, the U.S. dollar value of our net monetary assets denominated in soles may be affected by devaluation of the sol, resulting in a re-measurement loss in our financial statements. Recent inflation and devaluation/appreciation rates are provided in the table below.

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
Peruvian inflation rate	2.2%	1.9%	1.5%	1.5%
Sol/U.S. dollar devaluation (appreciation) rate	4.2%	(1.9)%	0.2%	8.6%
Source: INEI				

Impact of COVID-19. The COVID-19 pandemic has and continues to impact our financial performance because of both its effects on the global economy and its direct impact on our financial condition and operations. The COVID-19 pandemic has resulted in increased volatility in both the local and the international financial markets and economic indicators, such as exchange rates, interest rates, credit spreads and commodity prices. COVID-19 has generated a simultaneous shock on supply and demand – a supply shock resulting from the abrupt paralysis of production in multiple sectors and a demand shock as a result of reduced consumption – which amplifies the negative effects on the economy. In particular, the global economic crisis stemming from the COVID-19 pandemic initially resulted in reduced prices of zinc, silver, lead and copper. See “—Metal Prices” above. As mentioned above, our financial performance is significantly affected by the market prices of zinc, lead, silver and, to a lesser extent, copper. While these metal prices have largely recovered, we were still materially adversely affected by the protracted downturn in local, regional and global economic conditions and decreased prices for these metals during the initial months of the COVID-19 pandemic as well as the mandatory two-month shutdown of our units per the Peruvian government’s COVID-19 response measures, as further described below. In fact, during the nine-month period ended September 30, 2020, we recorded US\$24.6 million in costs related to our COVID-19 pandemic operational stoppage. In order to mitigate these negative effects, we adopted certain capital conservation measures, including the sale of non-core assets.

In addition to the effect on our financial results, our operations have also been negatively impacted by the COVID-19 pandemic. In order to contain the spread of COVID-19 in Peru, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering a mandatory lockdown and the total closure of Peru’s borders. As a result of these measures, our operations were largely forced to cease between March 17, 2020 and May 18, 2020. While some of these restrictions have since been lifted and our operations have resumed, we have been required to make certain changes to our operating procedures in order to prevent the spread of COVID-19, including regular testing of employees, implementation of social distancing measures, and creation of

medical and isolation areas to control, monitor, and treat positive cases. The period during which we were unable to operate and the changes that we have made to our operating procedures since resuming operations negatively impacted our financial performance. Furthermore, on January 26, 2021, the Peruvian government announced a lockdown of Lima and nine other regions from January 31 until at least February 14, 2021. While this new lockdown does not restrict the activities of the mining industry, including our activities, the ultimate severity of the pandemic's impact on us remains uncertain. See "Risk Factors—Risks Relating to our Business—An outbreak of disease or similar public health threat, such as COVID-19, has and may continue to adversely affect our business, financial condition and results of operations."

Critical Accounting Policies and Estimates

We have identified certain significant accounting policies on which our financial condition and results of operations are dependent. These significant accounting policies most often involve complex quantitative analyses or are based on subjective judgments or decisions. A change in these estimates and assumptions could affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. See Note 2 to our audited consolidated financial statements and Note 2 to our unaudited interim condensed consolidated financial statements for a detailed discussion of our significant accounting policies, including 'Statement of compliance and basis of preparation and presentation', 'Consolidation principles', 'Functional and presentation currency', 'Financial instruments', 'Cash and cash equivalents', 'Inventories and obsolescence estimate', 'Property, plant and equipment (net)', 'Mining concessions, exploration and development costs and other intangibles', 'Review of impairment of long-term assets', 'Assets classified as held for sale', 'Investment in associates', 'Leases', 'Provisions', 'Provision for closure of mining units', 'Financing costs', 'Revenue recognition', 'Recognition of costs and expenses', 'Employee benefits', 'Operating profit', 'Income tax', 'Contingent assets and liabilities', 'Basic and diluted earning per share' and 'Segments'.

Results of Operations

Nine Months ended September 30, 2020 compared to Nine Months ended September 30, 2019

The following table sets forth our summarized results of operations for the periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
	(In millions of U.S. dollars)		
Sales.....	536.3	355.6	(33.7)%
Cost of sales.....	(453.5)	(355.8)	(21.5)%
Gross profit (loss)	82.7	(0.2)	(100.2)%
Administrative expenses	(40.2)	(26.8)	(33.3)%
Selling expenses.....	(16.7)	(10.8)	(35.3)%
Other income	51.9	28.6	(44.9)%
Other expenses	(43.5)	(19.3)	(55.6)%
Reversal of impairment of long-lived assets	-	-	-
Impairment loss of long-lived assets	-	-	-
Operating profit (loss).....	34.2	(28.5)	(183.3)%
Financial income (expenses).....	(36.0)	(39.4)	9.4%
Loss before income tax	(1.8)	(67.9)	3,672.2%
Income tax expense.....	(15.5)	(1.8)	(88.4)%
Net loss	(17.3)	(69.7)	(302.9)%

The following table sets forth each line item of our summarized results of operations as a percentage of our sales for the periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
Sales.....	100.0%	100.0%	0.0%
Cost of sales.....	(84.6)%	(100.1)%	(15.5)%

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
Gross profit (loss)	15.4%	(0.1)%%	(15.5)%
Administrative expenses	(7.5)%	(7.5)%	0.0%
Selling expenses.....	(3.1)%	(3.0)%	0.1%
Other income	9.7%	8.0%	(1.7)%
Other expenses	(8.1)%	(5.4)%	2.7%
Reversal of impairment of long-lived assets	-	-	-
Impairment loss of long-lived assets	-	-	-
Operating profit (loss).....	6.4%	(8.0)%	(14.4)%
Financial income (expenses).....	(6.7)%	(11.1)%	(4.4)%
Loss before income tax	(0.3)%	(19.1)%	(18.8)%
Income tax expense.....	(2.9)%	(0.5)%	2.4%
Net loss	(3.2)%	(19.6)%	(16.4)%

Sales. The 33.7% decrease in sales during the nine months ended September 30, 2020 was primarily due to a decrease in our production as a result of two months of suspended operations followed by their gradual restart in connection with the Peruvian government's COVID-19 response measures, partially offset by higher silver and gold prices.

The following table sets forth the components of our sales by value, average realized prices and the production of metal contained in our mined ore for the metals and periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
(In millions of U.S. dollars, except for prices and production data)			
Sales by metal and adjustments			
Zinc.....	314.4	159.0	(49.4)%
Lead	59.9	43.4	(27.6)%
Copper	10.8	7.3	(32.4)%
Silver.....	143.1	139.0	(2.9)%
Gold	20.5	9.3	(54.6)%
Subtotal.....	548.6	357.9	(34.8)%
Settlement of prior period adjustment	(5.2)	(16.5)	(217.3)%
Adjustment for open positions	(7.1)	7.3	202.8%
Hedging results	0.0	6.8	-
Total.....	536.3	355.6	(33.7)%
Average Realized Prices			
Zinc (US\$/tonne)	2,600	2,169	(16.6)%
Silver (US\$/ounce)	15.6	20.0	28.3%
Lead (US\$/tonne).....	1,953	1,841	(5.8)%
Copper (US\$/tonne).....	6,078	5,873	(3.4)%
Gold (US\$/ounce).....	1,354	1,736	28.2%
Production of Metal Contained			
Zinc (in thousands of tonnes).....	174.2	117.5	(32.6)%
Silver (in millions of ounces).....	11.2	8.3	(25.9)%
Lead (in thousands of tonnes).....	35.6	29.1	(18.2)%
Copper (in thousands of tonnes)	3.4	2.3	(32.4)%
Gold (in thousands of ounces)	15.9	6.9	(56.6)%

Cost of sales. The 21.5% decrease in cost of sales as shown in the table below was mainly due to a decrease in our production as a result of two months of suspended operations followed by their gradual restart in connection with the Peruvian government's COVID-19 response measures, partially offset by additional costs incurred to implement and observe COVID-19 response protocols to protect employee health. The following table sets forth our cost of sales for the periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
	(In millions of U.S. dollars)		
Cost of sales			
Supplies used	82.4	56.3	(31.7)%
Labor.....	51.9	38.1	(26.6)%
Services provided by third parties, energy and others.....	157.4	115.0	(26.9)%
Purchase of mineral and concentrates	1.0	0.0	(100.0)%
Depreciation and amortization.....	144.0	102.6	(28.8)%
Plant stoppage cost	14.9	37.4	151.0%
Others	0.7	2.5	257.1%
Change in inventories of concentrates in process and ore.....	1.2	3.9	225.0%
Total cost of sales	453.5	355.8	(21.5)%

Administrative expenses. The 33.3% decrease in administrative expenses as shown in the table below was mainly due to a decrease in our execution of exploration projects due to personnel restrictions caused by the COVID-19 pandemic, which generally decreased all of the components of our administrative expenses as set forth in the table below. The following table sets forth our administrative expenses for the periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
	(In millions of U.S. dollars)		
Administrative expenses			
Personnel expenses.....	12.7	10.8	(15.0)%
Mails, telecommunications and other minor items	4.8	4.3	(10.4)%
Services provided by contractors.....	5.2	0.0	(100.0)%
Professional fees.....	4.6	4.2	(8.7)%
Insurance	2.5	2.8	12.0%
Rents	1.9	0.6	(68.4)%
Personnel services	1.5	0.8	(46.7)%
Mining fees and penalties for concessions rights	0.4	0.0	(100.0)%
Indemnities.....	0.7	0.5	(14.0)%
Samples, assays and supervision	0.9	0.1	(88.9)%
Communication and information technology	0.9	0.7	(22.2)%
Depreciation.....	1.3	1.3	0.0%
Salaries and bonuses - Board of Directors.....	1.8	0.0	(100.0)%
Amortization	0.9	0.5	(44.4)%
Depreciation of right-of-use assets	0.1	0.1	0.0%
Total administrative expenses	40.2	26.8	(33.3)%

Selling expenses. The 35.3% decrease in selling expenses as shown in the table below was mainly attributable to lower sales volumes caused by the COVID-19 pandemic, which in turn was also due to decreased production, partially offset by a decrease in our expenses from our renegotiations with service suppliers. The following table sets forth our selling expenses for the periods indicated.

	Nine months ended September 30,		% Change
	2019	2020	2019/2020
	(In millions of U.S. dollars)		
Selling expenses			
Freight.....	10.2	6.9	(32.4)%
Services for the sale of concentrates	2.3	1.6	(30.4)%
Sundry services	0.9	0.4	(55.6)%
Services provided by contractors	0.9	0.3	(66.7)%
Personnel expenses	0.6	0.6	0.0%
Samples, assays and supervision.....	0.6	0.4	(33.3)%
Shipment expenses.....	0.3	0.2	(33.3)%
Services provided by third parties	0.8	0.3	(62.5)%
Rents	0.1	0.1	0.0%
Depreciation.....	0.0	0.1	n/a
Total selling expenses	16.7	10.8	(35.3)%

Financial income (expenses). The 9.4% increase in financial net expenses is explained mainly by an exchange rate loss totaling US\$5.2 million in the first nine months of 2020 as compared to an exchange rate loss of US\$1.3 million in the first nine months of 2019, which, in turn was due to the increased devaluation of the Sol against the U.S. dollar.

Income tax expense. The 88.4% decrease in income tax and royalties in the first nine months of 2020 was mainly due to lower pre-tax profit.

Net (loss) profit. Net loss increased 302.9% in the first nine months of 2020 mainly due to lower gross margin and higher operating expenses (including costs related to work stoppages where our equipment was paralyzed for two months).

Year ended December 31, 2019 compared to Year ended December 31, 2018

The following table sets forth our summarized results of operations for the periods indicated.

	For year ended December 31,		% Change
	2018	2019	2018/2019
	(In millions of U.S. dollars)		
Sales.....	775.1	743.6	(4.1)%
Cost of sales.....	(546.4)	(596.4)	9.2%
Gross profit.....	228.7	147.2	(35.6)%
Administrative expenses	(61.9)	(58.3)	(5.8)%
Selling expenses	(27.2)	(23.2)	(14.7)%
Other income	56.3	66.8	18.7%
Other expenses	(77.4)	(119.9)	55.0%
Reversal of impairment of long-lived assets	110.0	35.6	(67.6)%
Impairment loss of long-lived assets.....	(69.3)	(19.6)	(71.7)%
Operating profit	159.3	28.6	(82.0)%
Financial income (expenses).....	(44.8)	(46.5)	3.8%
Profit (loss) before income tax.....	114.5	(17.9)	(115.6)%
Income tax expense.....	(85.1)	(52.4)	(38.4)%
Net (loss) profit.....	29.4	(70.3)	(339.1)%

The following table sets forth each line item of our summarized results of operations as a percentage of our sales for the periods indicated.

	For year ended December 31,		% Change
	2018	2019	2018/2019
Sales.....	100.0%	100.0%	0.0%
Cost of sales.....	(70.5)%	(80.2)%	(9.7)%
Gross profit.....	29.5%	19.8%	(9.7)%
Administrative expenses	(8.0)%	(7.8)%	0.2%
Selling expenses	(3.5)%	(3.1)%	0.4%
Other income	7.3%	9.0%	1.7%
Other expenses	(10.0)%	(16.1)%	(6.1)%
Reversal of impairment of long-lived assets	14.2%	4.8%	(9.4)%
Impairment loss of long-lived assets.....	(8.9)%	(2.6)%	6.3%
Operating profit	20.6%	3.9%	(16.7)%
Financial revenues (expenses)	(5.8)%	(6.3)%	(0.5)%
Profit (loss) before taxes	14.8%	(2.4)%	(17.2)%

Income tax and royalties	(11.0)%	(7.1)%	3.9%
Net (loss) profit.....	3.8%	(9.5)%	(13.3)%

Sales. The 4.1% decrease in sales in 2019 as compared to 2018 as shown in the table below was primarily due to lower zinc, lead and copper average realized prices and reduced silver production, partially offset by higher sale volumes of zinc, lead and copper and our hedging activities in respect of metal prices.

The following table sets forth the components of our sales by value, average realized prices and the production of metal contained for the metals and periods indicated.

	For year ended December 31,		% Change
	2018	2019	2018/2019
	(In millions of U.S. dollars, except for prices and volume)		
Sales by metal and adjustments			
Zinc	488.6	421.4	(13.8)%
Lead.....	92.5	83.8	(9.3)%
Copper.....	16.3	13.9	(14.6)%
Silver.....	220.7	206.5	(6.4)%
Gold.....	13.4	28.5	112.0%
Subtotal	831.5	754.1	(9.3)%
Settlement of prior period adjustment	(34.5)	(15.7)	(54.6)%
Adjustment for open positions	(8.0)	(2.4)	(70.5)%
Hedging results.....	(13.9)	7.5	-
Total	775.1	743.6	(4.1)%
Average Realized Prices			
Zinc (US\$/tonne).....	2,917	2,539	(13.0)%
Silver (US\$/ounce).....	15.7	16.1	2.5%
Lead (US\$/tonne).....	2,245	1,978	(11.9)%
Copper (US\$/tonne)	6,464	6,022	(6.8)%
Gold (US\$/ounce)	1,265	1,387	9.6%
Production of Metal Contained			
Zinc (in thousands of tonnes)	241.1	239.0	(0.9)%
Silver (in millions of ounces)	17.0	15.6	(8.2)%
Lead (in thousands of tonnes)	47.2	49.4	4.7%
Copper (in thousands of tonnes).....	4.6	4.5	(2.2)%
Gold (in thousands of ounces).....	11.6	21.6	86.2%

Cost of sales. The 9.2% increase in the cost of sales of 2019 as compared to 2018 as shown in the table below is mainly explained by an increase in our cost of production, which in turn was primarily due to (i) increased processing volumes as well as (ii) increased depreciation as a result of greater capitalization of ongoing works and the amortization of operating leases after the application of IFRS 16. The following table sets forth our cost of sales for the periods indicated.

	For the year ended December 31,		% change
	2018	2019	2018/2019
	(In millions of U.S. dollars)		
Cost of sales			
Supplies used.....	102.3	111.2	8.7%
Labor.....	69.9	70.6	1.0%
Services provided by third parties, energy and others	210.8	216.6	2.8%
Purchase of mineral and concentrates	1.6	1.0	(37.5)%
Depreciation and amortization	160.3	190.0	18.5%
Others.....	1.4	2.3	64.3%
Change in inventories of concentrates in process and ore	0.0	4.6	n/a
Total cost of sales.....	546.4	596.4	9.2%

Administrative expenses. The 5.8% decrease in 2019 as compared to 2018 as shown in the table below was mainly explained by: a decrease in our board member and personnel compensation, which in turn was due to the corresponding decrease in our net income, partially offset by higher payments of mining fees and penalties for concession rights and indemnities. The following table sets forth our administrative expenses for the periods indicated.

	For the year ended December 31,		% change 2018/2019
	2018	2019	
	(In millions of U.S. dollars)		
Administrative expenses			
Personnel expenses.....	27.9	19.3	(30.8)%
Mails, telecommunications and other minor items.....	6.2	7.4	19.4%
Services provided by contractors.....	6.6	7.3	10.6%
Professional fees.....	6.1	6.8	11.5%
Insurance.....	3.0	3.4	13.3%
Rents.....	2.1	2.6	23.8%
Personnel services.....	1.6	2.0	25.0%
Mining fees and penalties for concessions rights.....	0.0	1.9	n/a
Indemnities.....	0.5	1.6	220.0%
Samples, assays and supervision.....	0.5	1.4	180.0%
Communication and information technology.....	1.0	1.3	30.0%
Depreciation.....	1.6	1.2	(25.0)%
Salaries and bonuses - Board of Directors.....	3.7	0.9	(75.7)%
Amortization.....	1.3	0.6	(53.8)%
Depreciation of right-of-use assets.....	0.0	0.5	n/a
Total administrative expenses.....	61.9	58.3	(5.8)%

Selling expenses. The 14.7% decrease in 2019 as compared to 2018 as shown in the table below is explained mainly by lower freight expenses, lower expenses related to services provided by third parties and a US\$2.2 million impairment of accounts receivable in 2018 mainly due to write-offs required as a result of the bankruptcy of the Republic Metal Corporation. The following table sets forth our selling expenses for the periods indicated.

	For the year ended December 31,		% Change 2018/2019
	2018	2019	
	(In millions of U.S. dollars)		
Selling expenses			
Freight.....	15.7	14.0	(10.8)%
Services for the sale of concentrates.....	2.9	3.4	17.2%
Sundry services.....	1.4	1.9	35.7%
Services provided by contractors.....	0.8	1.2	50.0%
Personnel expenses.....	1.1	0.9	(18.2)%
Samples, assays and supervision.....	1.1	0.8	(27.3)%
Shipment expenses.....	0.4	0.4	0.0%
Services provided by third parties.....	1.0	0.3	(70.0)%
Rents.....	0.4	0.2	(50.0)%
Depreciation.....	0.0	0.0	n/a
Impairment of accounts receivable.....	2.2	0.0	(100)%
Total selling expenses.....	27.2	23.2	(14.7)%

Reversal of impairment of long-lived assets. The 67.6% decrease in our reversal of impairment of long-lived assets in 2019 as compared to 2018 was due to the fact that in 2018 we recorded a reversal of impairment of long-lived assets of US\$110.0 million, which in turn was primarily due to an increase of mineral resources and the mine plans established for the Chungar Unit and the Óxidos de Pasco Unit, whereas in 2019 our reversal of impairment of long-lived assets only totaled US\$35.6 million, which in turn was primarily due to an adjustment to the discount rate.

Impairment loss of long-lived assets. The 71.7% decrease in our impairment of long-lived assets in 2019 as compared to 2018 was due to the fact that in 2018 we recorded an impairment loss of US\$69.3 million, which in turn was primarily due to a decrease in our unconsolidated and Empresa Administradora Cerro's mineral resources, whereas in 2019, our impairment loss only totaled US\$19.6, which in turn was primarily due to a decrease in construction and building use value at Empresa de Generación Eléctrica Río Baños S.A.C. ("Empresa de Generación Eléctrica Río Baños") and Empresa Hidroeléctrica Huanchor S.A.C. ("Empresa Hidroeléctrica Huanchor").

Financial income (expenses). The reversal in our financial results from financial losses of US\$44.8 million in 2018 to financial losses of US\$46.5 million in 2019 is mainly explained by our application of IFRS 16 on our operating leases and a decrease in the present value of our mine closure plans.

Income tax. The 38.4% decrease in income tax in 2019 as compared to 2018 was mainly due to lower taxable profit.

Net (loss) profit. The reversal in our net results from net profit of US\$29.4 million in 2018 to a net loss of US\$70.3 million in 2019 was mainly due to a decrease in our gross profit, partially offset by lower income tax and royalties associated with lower margins.

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by operations, with our primary uses of liquidity being working capital and capital expenditures. Other financing sources include financial leasing lines for the acquisition of mine equipment and lines of credit from financial institutions for working capital purposes. As of September 30, 2020, our long-term debt outstanding was US\$909.6 million, excluding accrued interest. We had approximately US\$200 million in unused lines of credit.

We expect that we will meet our working capital, capital expenditure and exploration expense requirements for the next several years from internally generated funds and cash on hand. Additional financing, if necessary for the construction of any project, is expected to be obtained from borrowings under bank loans or the issuance of debt securities. There can be no assurance, however, that sufficient funding will be available to us from internal or external sources to finance any future capital expenditure program, or that external funding will be available to us for such purpose on terms or at prices favorable to us. A very significant decline in metal prices would be reasonably likely to affect the availability of such sources of liquidity.

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Cash from operating activities.....	235.4	216.6	168.3	105.4
Cash used in investing activities	(193.3)	(171.1)	(139.2)	(82.4)
Cash resulting from (used in) financing activities.....	(81.0)	(72.2)	(53.5)	49.7

Cash From Operating Activities. The decrease in cash flow generated from operating activities for each of the two years ended December 31, 2019 and 2018 and the nine months ended September 30, 2020 and 2019, as compared to the respective previous periods, resulted primarily from lower revenues as previously discussed above.

Cash Used in Investing Activities. Our capital expenditures from January 1, 2018 through September 30, 2020 amounted to US\$447 million and we have budgeted an additional US\$53 million for the remainder of 2020 for investments in projects that are currently underway. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2018	2019	2019	2020
	(In millions of U.S. dollars)			
Local exploration	22.4	23.1	17.1	5.4
Mine development	76.9	70.8	53.5	25.5
Plants and tailing facilities	35.3	30.8	16.3	10.6
Mine and infrastructure	24.2	16.3	24.1	16.1
Electrical infrastructure in units	8.2	6.3	3.4	1.3
Regional explorations	3.5	4.2	3.1	0.6
Romina Project*.....	2.8	7.8	3.1	1.4
Energy	3.8	2.5	2.2	0.3
Other projects and working capital	16.3	9.3	16.4	21.2
Total	193.3	171.1	139.2	82.4

* For a description of the projects, see “Business—Growth Projects.”

Cash Resulting from (Used in) Financing Activities. Financing activities during 2018 consisted primarily of interest payments of US\$35.5 million and dividend payments of US\$14.9 million. Financing activities during 2019 consisted primarily of interest payments of US\$39.5 million) and medium-term loan payments of US\$21.4 million. Financing activities during the first nine months of 2020 consisted primarily of the payment of the balance of our syndicated term loan and repayment of short-term debt, while financing activities during the first nine months of 2019 consisted primarily of interest payments of US\$ 48.2 million.

Contractual Obligations and Contingencies

The following table sets forth, in accordance with IFRS, certain contractual obligations and contingencies as of September 30, 2020.

	Payments Due by Period				
	Total	<1 year	1-3 years	3-5 years	More than 5 years
	(In millions of U.S. dollars)				
Financial obligations	916.2	48.9	867.3	0.0	0.0
Workers’ participation ⁽¹⁾	0.2	0.2	0.0	0.0	0.0
Derivatives and financial instruments	22.0	22.0	0.0	0.0	0.0
Provision for the closure of mining units ⁽²⁾	134.9	7.4	52.9	21.2	53.5
Total	1,073.3	78.5	920.2	21.2	53.5

- (1) Workers’ participation is currently calculated based on our pre-tax earnings. In Peru, the provision for workers’ participation is calculated at 8% of pre-tax earnings. The current portion of this participation, which is accrued during the year, is based on our taxable income and is largely distributed to workers following determination of final results for the year.
- (2) Asset retirement obligations include the aggregate amount of the closure and remediation costs of our mines and facilities to be paid under the mine closure plans.

The credit agreements executed by us with financial institutions impose certain financial covenants during the term of these agreements which are usual for these types of agreements. As of September 30, 2020, we were in compliance with all restrictions and covenants related to our obligations in our credit agreements, except for our leverage ratio and interest hedge ratio covenants in the Credit Agreement, which require us to have ratios of less than 3.75 and greater than 5.00, respectively. As of September 30, 2020, our leverage ratio was 5.13 and our interest hedge ratio was 3.96; however we have received all required waivers from the lenders under the Credit Agreement, which will be fully repaid with proceeds from the sale of the notes offered hereby. See Note 16 to our audited consolidated financial statements and Note 14 to our unaudited interim condensed consolidated financial statements included elsewhere in this listing memorandum.

Capital Expenditures

We seek to maintain our competitive position in the industry through our capital expenditure program. Over the next three years, we expect to invest more than US\$130 million mainly to grow our zinc, lead and silver production in addition to approximately between US\$200 million and US\$230 million per year to sustain and improve our current operations. Our growth investment plan includes the development of the Romina project

(US\$130 million), which is expected to enter production in 2024, with an estimated annual production of 30,000 tonnes of zinc, 20,000 tonnes of lead and 0.7 million ounces of silver.

We plan to fund these projects with proceeds from this offering and cash provided by operations. For a description of these projects, see “Business—Growth Projects” and “Business—Power and Energy Supply.”

Dividend Policy

Our board of directors, following the end of each fiscal year, makes a recommendation to the annual shareholders’ meeting regarding the amount and timing of any dividend payment. We can distribute three kinds of dividends: (i) cash dividends, which are paid out of our net distributable income for each year, (ii) stock dividends that are akin to stock splits rather than distributions of earnings, which are issued for the purpose of adjusting the book value per share of our stock, and (iii) stock dividends for the purpose of capitalizing profits. As mentioned in “Risk Factors—Risks Relating to Peru—Public health crises and epidemics/pandemics, such as that being caused by the COVID-19 pandemic, may materially and adversely affect Peru’s economy. Additionally, the Peruvian government measures adopted in order to address these health crises and epidemic/pandemics, such as the ongoing COVID-19 pandemic, may not be sufficient to address their impact” above, as of December 2020, we and some of our subsidiaries have borrowed US\$13.6 million under the “Reactiva Peru” program, which offers support to companies to overcome the effects of the COVID-19 pandemic. Under Reactiva Peru’s regulations, we may not prepay current indebtedness unless using new credit facilities and we may not distribute dividends or distribute any profits (with the exception of distributions for employees), during the 36-month term of the financing.

Our dividend policy based on past years’ practice has been to pay approximately 30% of our net profits in the form of either cash or stock. There are two kinds of dividend payments: (i) provisional dividends, which are approved by the board of directors and are generally paid during the fourth quarter of each year, and (ii) final dividends, which are paid in accordance with the annual shareholders’ meeting. However, the amount and timing of such payments are subject to the final approval at such annual shareholders’ meeting and board of directors’ meeting, as well as to the availability of earnings to distribute. According to the Peruvian Corporate Law, shareholders can request a dividend of 50% or less of the previous year’s after-tax profits, net of the amount allocated to the legal reserve, with the affirmative vote of at least 20% of the total common stock outstanding.

We have two classes of shares: Series A share have full voting rights while Series B shares have limited voting rights and receive a 5% on dividends over what Series A shares receive. The following table sets forth the amount of cash dividend payments made for the periods indicated.

Period	Aggregate Amount	Per Series A Share	Per Series B Share
	(In millions of U.S. dollars)	(U.S. dollar per share ⁽¹⁾)	
2018	16.6	0.0040	0.0042
2019	0.0	0.0000	0.0000
2020 (first nine months).....	0.0	0.0000	0.0000

⁽¹⁾ Expressed in U.S. dollars using an exchange rate of S/ 3.28 per U.S. dollar.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2019, and 2018, and September 30, 2020 and 2019.

Quantitative and Qualitative Disclosures about Market Risk

During the normal course of our operations, we are exposed to several market risks, such as exchange rate risk, interest rate risk, price risk, credit risk and liquidity risk. Our risk management program is focused on minimizing the potential adverse effects of such risks on our financial performance. For a description of these risks and our capital risk management program as of and for the year ended December 31, 2019, see Note 5 to our audited consolidated financial statements included elsewhere in this listing memorandum. As of September 30, 2020, there has not been any material change in the risk factors as described therein.

BUSINESS

General

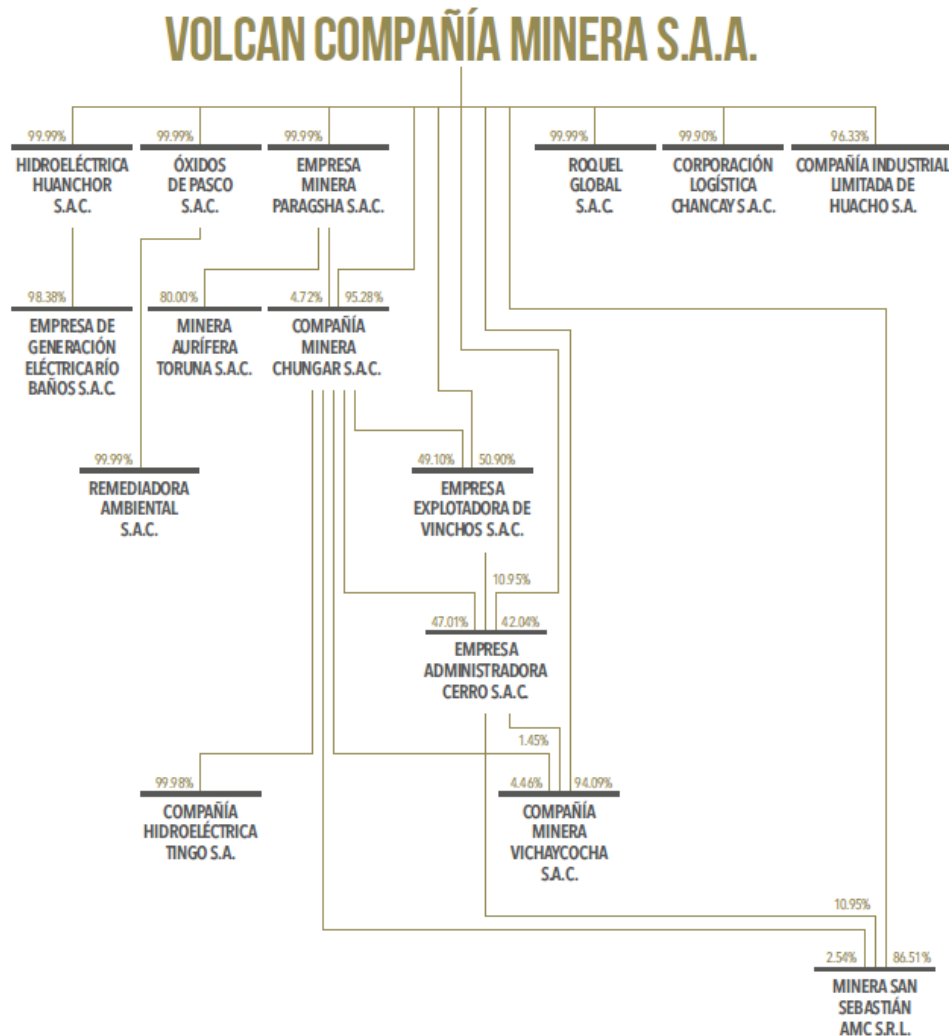
We are a diversified Peruvian mining company and a major global producer of zinc, silver and lead. We began operations in the early 1940s and have consistently ranked among the largest producers of these metals globally every year from 2006 to 2019, according to Wood Mackenzie and GFMS. We were the second-leading producer of zinc and lead and the third-leading producer of silver in Peru in the first nine months of 2020, according to the Ministry of Energy and Mines. We believe that the quality of our ore deposits, the efficiency of our operations and our economies of scale make us competitive among metal producers worldwide.

Our operations are divided into five main units that currently consist of eight mines in operation, six concentrator plants and one leaching plant extending across the Junin and Pasco departments in Peru, with the largest mine accounting for approximately 16% of our 2019 treated tonnage. Our mining units are all located between 170 and 295 kilometers from Lima, in the Central Andean region, a center of mining activity in Peru for centuries. As of December 31, 2019, our proven and probable reserves represented an average mine life of six years at 2019 production levels and our resources supported 13 additional years of average mine life (in each case, excluding the Cerro de Pasco Unit and the Óxidos de Pasco Unit). We have 354,000 hectares of concessions in a region with high geological potential, 58% of which remain unexploited and unexplored.

In the nine-month period ended September 30, 2020, we had sales of US\$355.6 million, net loss of US\$69.7 million and Adjusted EBITDA of US\$102.7 million. In the first nine months of 2020, zinc represented 44%, silver represented 39%, lead represented 12%, gold represented 3% and copper represented 2% of our sales by value. For the year ended December 31, 2019, we had sales of US\$743.6 million, net loss of US\$70.3 million and Adjusted EBITDA of US\$244.1 million. In 2019, zinc represented 56%, silver represented 27%, lead represented 11%, gold represented 4% and copper represented 2% of our sales by value. In 2019, concentrator plants treated 7.9 million dry tonnes of ore grading 3.5% zinc, 1.9 silver ounces per tonne, 0.8% lead and 0.1% copper, and the Oxides leaching plant treated 0.9 million dry tonnes of ore grading 8.8 silver ounces per tonne and 0.7 gold grams per tonne. We are currently developing projects to expand our production, including our Romina, Carhuacayán, Zoraida and Palma projects. See “Growth Projects.”

Organizational Structure

We act as the operating parent company of several subsidiaries, all of which are wholly-owned by us. Our corporate structure is shown in the following chart (the Yauli mining operations are owned by us directly and not by a separate subsidiary):



History

We began operations in 1943 as Volcan Mines Limited, with the Ticlio and Carahuacra mines. In the 1990s, as part of several privatizations in Peru, the Peruvian government auctioned certain mining areas and related assets. We acquired several of them and grew at a rapid pace. Most significantly:

- In 1997, Volcan Mines Limited acquired, via an international public auction, Empresa Minera Mahr Tunel S.A., owner of the Mahr Tunel, San Cristobal and Andaychagua mining operations, from Centromin, which had been Peru's state mining company since 1974. This acquisition started our expansion process, which resulted in a 400% increase in production. In 1998, Volcan Mines Limited and Empresa Minera Mahr Tunel S.A. merged to create Volcan Compañía Minera S.A.A., our current legal name.
- In 1999, we acquired, via an international public auction, Empresa Minera Paragsha S.A.C. from Centromin. This acquisition included the Cerro de Pasco mining operation, which made us the largest zinc mining company in Peru.

- In 2000, we acquired Empresa Administradora Chungar S.A.C. and Empresa Explotadora de Vinchos Ltda. S.A.C., owners of the Animón and Vinchos mines, respectively.
- Since 2000, in addition to selectively acquiring other smaller mining operations, we have focused on integrating the companies we acquired, placing emphasis on reducing costs and increasing our reserves and resources. Under the leadership of Dr. Roberto Letts Colmenares, majority shareholder and Chairman of the board until his passing in 2010, we expanded our operations and became the largest silver and lead producer in Peru and the second largest in zinc. At the same time, we became a top ten producer in silver, lead and zinc worldwide.
- On February 1, 2011, we spun off the assets that conform our Cerro de Pasco Unit to Empresa Administradora Cerro S.A.C. In consideration, we received shares representing 99.99% of the capital stock of Empresa Administradora Cerro S.A.C., which is now our wholly-owned subsidiary.
- In January 2012, we issued an aggregate amount of US\$600 million of 5.375% notes due 2022 in a Rule 144A/Regulation S offering in the international capital markets, the proceeds of which were used to finance the oxide plant expansion project of our Cerro de Pasco Unit and the new Alparamar Unit.
- A month afterwards, in February 2012, we acquired Empresa Hidroeléctrica Huanchor for US\$47.0 million. The business is comprised of the Huanchor Plant and was previously owned by Sociedad Minera Corona S.A. Halfway through 2012, Empresa Administradora Chungar S.A.C. also completed the construction and commenced operation of the Baños V hydroelectric plant. This 9.2 MW plant required a total investment of US\$24.0 million.
- In 2013, the Islay mine was consolidated into the Chungar Unit as a result of the acquisition of two nearby mining concessions (Islay and Islay 4) for US\$17.0 million. Earlier that year, we also completed the Animón plant expansion, which increased processing capacity from 4,200 to 5,200 tonnes per day. The upgrade of the Victoria and Andaychagua plants located in the Yauli Unit was also completed in 2013, which increased their processing capacity to 10,500 tonnes per day.
- In 2014, we continued expanding the Yauli Unit plants, which reached a processing capacity of 10,800 tonnes per day. In addition, in the Chungar Unit, the Jacob Timmers shaft commenced operations with a nominal capacity of 4,000 tonnes per day. In July 2014, we acquired the Tingo Plant in addition to 82 kilometers of 22.9 kV and 50 kV transmission lines for a total of US\$13.5 million. This plant is expected to be upgraded to approximately 15 MW and connected to the Alparamar and Chungar Mining Units.
- In 2014, the Alparamar Unit and the oxide plant in Cerro de Pasco commenced operations. With a total investment of US\$280 million, the plant reached full capacity in June 2015.
- In addition, in 2015 the following corporate reorganizations were undertaken: (i) Empresa Administradora Chungar S.A.C. absorbed Compañía Minera El Pilar S.A.C., Compañía Minera Huascarán S.A.C., Compañía Minera Santa Clara y Llacsacocha S.A.C., Shalca Compañía Minera S.A.C., and Recursos Troy S.A.C.; (ii) Óxidos de Pasco S.A.C. was spun off from Empresa Administradora Cerro S.A.C. and (iii) Compañía Minera Alparamar S.A.C. absorbed Empresa Administradora Chungar S.A.C. In addition, the latter changed its corporate name to Compañía Minera Chungar S.A.C.
- In August 2016, the Rucuy Plant, with a capacity of 120 GWh per year, began operations. The total investment in this unit was US\$50 million. With this addition, we now have 13 hydroelectric plants in operation with a total capacity of 63 MW. In 2016, we also acquired the Romina project, which consists of a zinc, lead and silver polymetallic mineralization in the form of replacement bodies, from Compañía Minera Milpo S.A.A. (“Compañía Minera Milpo”) for US\$17.9 million.
- In November 2017, Glencore carried out a public tender offer to acquire our class A common shares where it ultimately purchased a total of 603,077,387 shares. As Glencore and its affiliated companies already held 295,754,888 of our shares, this acquisition increased their total holding of class A shares to 898,832,275, or 55.028%. Taking into account our class A and class B shares, Glencore currently holds 23.29% of our total equity.

- In January 2019, we signed agreements with CSPL for the development of the Chancay port, a natural port with a depth of up to 16 meters located 80 kilometers north of Lima. Once completed, the port is expected to include two specialized terminals, one of which would be a container terminal that would include 11 berths and the other would be for bulk cargo, general cargo and rolling cargo, with four berths. It is expected that the port will be able to receive the world's largest Triple E-type vessels. The Chancay port is owned by CSPCP, with CSPL holding 60% of the ownership interests thereof and us owning the remaining 40%. The total estimated cost of the first stage of the project is approximately US\$1.3 billion, which is expected to be partially financed by a project finance loan without recourse to us in the amount of US\$0.9 billion. As of the date of this listing memorandum, CSPCP has not yet entered into the loan agreement. Additionally, we have a wholly owned project for a logistics and industrial complex for the Chancay port covering approximately 800 hectares that will be connected to the entrance of the Chancay port and is expected to provide logistics services, commercial and business services, services to clients and industrial value-added services.

We are a publicly held corporation, or *sociedad anónima abierta*, organized under the laws of Peru. Our shares are listed on the Lima Stock Exchange, Santiago Off Shore Stock Exchange and Madrid Latibex Stock Exchange. Our principal executive office is located at Av. Manuel Olguín 373, Santiago de Surco, Lima, Peru, and our telephone number is +51-1-416-7000.

Concessions

We have been granted mining concessions totaling approximately 354,000 hectares, of which: (i) 20% are currently being exploited, (ii) 22%, are being explored, and (iii) approximately 58%, remain unexploited and unexplored. We are required to pay an annual concession fee and a penalty fee if we fail to meet required minimum annual production levels. Notwithstanding the above, if we fail to meet these minimum levels before the end of the thirtieth year after the later of (i) the grant of the mining concession or (ii) January 1, 2009, the date of enactment of Legislative Decree No. 1320, as amended, our mining concessions which have failed to meet such minimum production levels will be cancelled. Failure to timely pay such fees for two consecutive years would cause us to forfeit our concession titles. As of the date of this listing memorandum, we have paid all applicable fees on our operating concessions. The 80% of our concessions that are currently unexploited and unexplored will expire in 2023 unless we start exploration or exploitation activities or pay a penalty fee. See "Regulatory Framework." We paid US\$3.7 million in concession and penalty fees in 2019 and US\$2.0 million in 2020.

Reserves and Resources

Methodology

The information on reserves and resources included in this listing memorandum has been prepared following the reporting guidelines and international definitions established by the JORC. Such information has been prepared under the general supervision of our chief geological engineer in consultation with the Glencore Technical Services team. This information is not, however, typically subject to review or audit by independent or external experts.

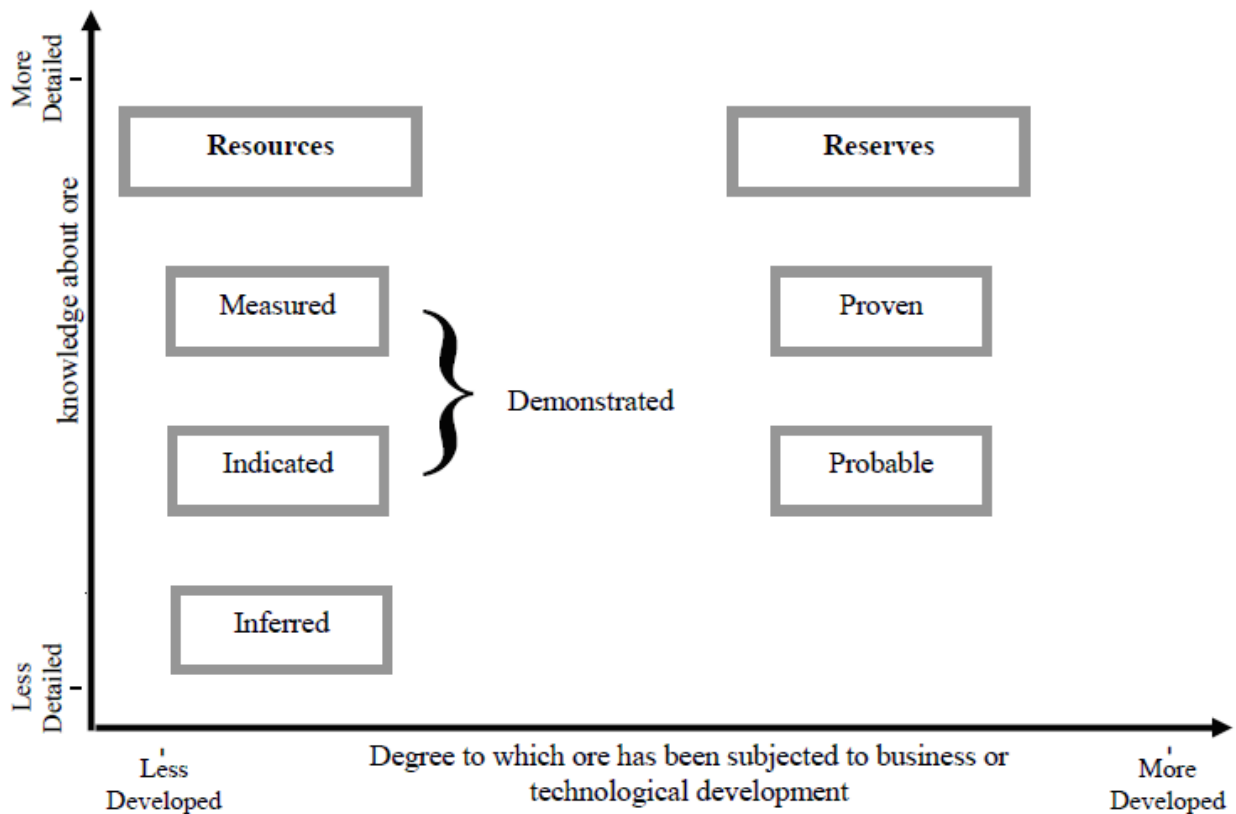
Mineral resources are veins and ore bodies of economic value that have been identified and evaluated through exploration, reconnaissance and sampling. Resources are estimated based on geological knowledge about the deposit, which is based on scientific concepts concerning the formation of minerals such as oxides, sulfides and mixed ores, as well as available knowledge concerning the geological continuity of the mineralized sectors. This is based on technical parameters, such as robustness of the genetic-geological model and its validation through drillings.

Resources may be subdivided further, based on the degree of knowledge that we have of their extent and composition. If our knowledge of the resources is extensive and direct, they are measured resources; if our knowledge of them is substantial but less extensive, they are indicated resources; and if our knowledge of them is only indirect, they are inferred resources. Measured resources are based on a dense grid of regularly distributed drillings, indicated resources are based on an intermediate grid of regularly distributed drillings, and inferred resources are based on irregularly, sometimes sporadically distributed drillings, where the continuity of ore grades is mostly supported by concepts on the theoretical continuity of geological events, such as lithology, alteration and mineralization. Resources that are either measured or indicated, as opposed to inferred, are sometimes together

referred to as demonstrated resources. Resources of all three categories are sometimes together referred to as identified resources.

A “reserve” is that part of a mineral resource, which, at the time of determination, may be economically and legally extracted. Reserve estimates are the result of studies that take into account certain technical, economic and legal factors, which are not considered when estimating mineral resources. Reserve estimates are based on mineral resource estimates but also reflect knowledge, at the time of determination, regarding the amount of such resources that can be recovered and sold at prices in excess of the total costs associated with extraction and processing. Reserve estimates are adjusted as technical, economic and legal circumstances change. Reserves are typically first determined at the time of planning a full-scale mining project. As a result, reserves are not reported for certain of our mineral deposits. Reserves may be “proven” or “probable.” Our proven reserves are based on our measured mineral resources, while our probable reserves are based on our indicated mineral resources, in each case after undertaking studies regarding certain technical, economic and legal factors.

The following graph shows the classification of reserves and resources according to the JORC.



General

As of December 31, 2019, we had approximately 32.7 million tonnes of proven and probable reserves, 154.0 million tonnes of measured and indicated resources (including 53.0 million tonnes in copper projects), and 377.0 million tonnes of inferred resources (including 148.0 million tonnes in copper projects). As of December 31, 2019, our proven and probable reserves represented an average mine life of six years at 2019 production levels. In addition, our polymetallic resources supported 13 additional years of average mine life. The following table shows our proven and probable reserves, grades and metal content for the periods indicated.

Year	Tonnes (in thousands)	Zinc (%)	Zinc Content (thousands of tonnes)	Lead (%)	Lead Content (thousands of tonnes)	Silver (ounces/tonne)	Silver Content (millions of ounces)
2010	148,429	3.9%	5,715	1.2%	1,707	3.1	453

2011	135,691	3.9%	5,238	1.1%	1,520	3.2	438
2012	109,673	3.7%	4,112	1.0%	1,147	3.2	355
2013	69,417	3.9%	2,728	1.0%	676	4.0	276
2014	73,699	2.5%	1,864	0.7%	486	1.8	133
2015	76,891	3.7%	2,840	0.9%	701	3.5	267
2016	65,242	3.9%	2,536	0.9%	614	3.3	215
2017	50,296	4.1%	2,039	0.9%	465	3.6	179
2018	34,300	4.0%	1,388	0.9%	306	2.4	81
2019	32,700	4.8%	1,565	1.1%	371	3.0	99

The following table shows the metal prices applied to our reserve estimates for the metals and years indicated.

		2011	2012	2013	2014	2015	2016	2017	2018	2019
Zinc	US\$/tonne	1,800	1,800	1,900	2,200	2,200	2,300	2,450	2,440	2,450
Lead	US\$/tonne	1,800	1,800	2,000	2,000	2,000	2,100	2,100	2,030	1,910
Copper	US\$/tonne	6,500	6,500	6,500	6,500	6,500	5,800	6,400	6,500	6,460
Silver	US\$/ounce	15.0	15.0	20.0	18.0	18.0	18.0	18.5	16.0	17.0
Gold	US\$/ounce	1,000	1,000	1,200	1,200	1,200	1,200	1,250	1,250	1,250

Reserves per Mining Unit and Project

The following table shows the reserve estimates for the metals indicated per mining unit and certain projects as of December 31, 2019.

Unit / Project / Class	Tonnes (Millions)	Grade				Metal Content			
		Zinc	Lead	Copper	Silver	Zinc	Lead	Copper	Silver
		(%)	(%)	(%)	(ounces per tonne)	(Thousands of tonnes)	(Thousands of tonnes)	(Thousands of tonnes)	(millions of ounces)
Yauli Unit	20.9	5.2	1	0.2	3.6	1,086	211	39	75
Proven	7.3	5.3	1	0.2	3.5	391	73	14	26
Probable	13.6	5.1	1	0.2	3.6	695	138	26	49
Chungar Unit	10	4.6	1.5	0.1	2.1	463	149	13	21
Proven	2.7	5.4	1.5	0.1	2.2	144	41	4	6
Probable	7.4	4.3	1.5	0.1	2.1	319	107	9	16
Alpamarca Unit	1.8	0.9	0.7	0.1	1.5	16	12	1	3
Proven	0.1	1.1	0.8	-	1.7	1	1	-	0
Probable	1.7	0.9	0.7	0.1	1.5	15	11	1	2
Total	32.7	4.8	1.1	0.2	3	1,565	371	53	99
Proven	10.1	5.3	1.1	0.2	3.2	536	115	18	32
Probable	22.6	4.6	1.1	0.2	3	1,029	256	36	67

Resources per Mining Unit and Projects

The following table shows the resource estimates for the metals indicated per mining unit and certain projects as of December 31, 2019.

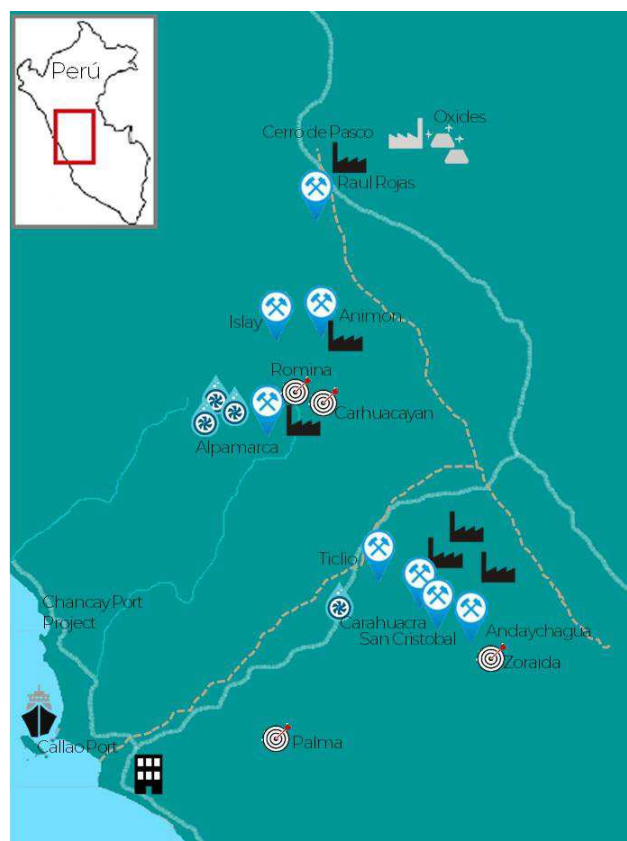
Unit	Class	Tonnes (Millions)	Grade				Metal Content	Copper (Thousands of tonnes)	Lead (Thousands of tonnes)	Zinc (Thousands of tonnes)	Silver (millions of ounces)
			Copper (%)	Lead (%)	Zinc (%)	Silver (ounces per tonne)					

Yauli Unit	Subtotal Yauli	74.5	0.2	1.1	5.9	3.8	158	800	4,408	282
	Measured	21.6	0.2	1.1	6.4	3.9	46	236	1,390	83
	Indicated	23.8	0.2	1.2	6.0	4.1	54	276	1,419	97
	Inferred	29.0	0.2	1.0	5.5	3.5	58	287	1,598	102
Chungar Unit	Subtotal Chungar	40.1	0.1	1.7	5.5	3.2	59	694	2,195	127
	Measured	5.8	0.2	2.2	7.8	4.3	12	127	459	25
	Indicated	15.3	0.2	1.7	5.7	3.1	23	264	866	47
	Inferred	18.9	0.1	1.6	4.6	2.9	24	303	871	55
Cerro de Pasco Unit	Subtotal Cerro	156.1	-	0.8	2.1	2.5	-	1,245	3,259	386
	Measured	2.1	-	0.6	1.2	0.5	-	13	25	1
	Inferred	154.0	-	0.8	2.1	2.5	-	1,232	3,234	385
Alpamarca	Subtotal Alpamarca	3.0	0.1	0.7	1.0	1.6	2	22	31	5
	Measured	0.1	0.0	0.7	0.9	1.5	0	1	1	0
	Indicated	2.8	0.1	0.7	1.0	1.6	1	21	29	5
	Inferred	0.1	0.0	0.5	0.9	1.6	0	0	1	0
La Tapada	Subtotal La Tapada	10.1	-	1.4	3.4	1.4	-	140	349	14
	Indicated	3.6	-	1.5	3.6	1.5	-	56	130	5
	Inferred	6.5	-	1.3	3.4	1.3	-	84	219	8
Zoraida	Subtotal Zoraida	4.0	0.1	3.4	4.8	4.6	4	134	189	18
	Indicated	3.0	0.1	3.3	4.8	4.6	3	99	143	14
	Inferred	1.0	0.1	3.7	4.8	4.8	1	36	46	5
Palma	Subtotal Palma	22.7	0.0	0.8	4.4	0.8	7	188	993	17
	Indicated	12.5	0.0	0.9	4.5	0.9	4	110	568	11
	Inferred	10.2	0.0	0.8	4.2	0.7	3	78	426	7
Puagjanca	Subtotal Puagjanca	14.5	0.1	2.7	4.6	1.2	12	394	672	18
	Measured	5.8	0.1	2.3	4.3	1.1	4	135	248	7
	Indicated	4.8	0.1	3.0	5.3	1.4	5	143	251	7
	Inferred	4.0	0.1	2.9	4.4	1.2	3	116	173	5
Andrea	Subtotal Andrea	5.4	0.0	0.0	3.9	0.2	2	3	213	1
	Inferred	5.4	0.0	0.0	3.9	0.2	2	3	213	1
Santa Bárbara	Subtotal Santa Bárbara	140.2	0.4	-	-	-	561	-	-	-
	Inferred	140.2	0.4	-	-	-	561	-	-	-
Rondoní	Subtotal Rondoní	60.5	0.5	-	-	-	323	-	-	-
	Measured	18.4	0.5	-	-	-	92	-	-	-
	Indicated	34.3	0.6	-	-	-	192	-	-	-
	Inferred	7.8	0.5	-	-	-	39	-	-	-
Total		531.1	0.2	0.7	2.3	1.6	1,128	3,620	12,310	868
	Measured	53.9	0.3	0.9	3.9	2.2	155	512	2,123	116
	Indicated	100.1	0.3	1.0	3.4	1.8	282	969	3,406	184
	Inferred	377.0	0.2	0.6	1.8	1.5	691	2,139	6,781	568

Operations

General

Our operations are divided in five main units, the Yauli Unit, Cerro de Pasco Unit, Alpamarca Unit, Chungar Unit and the Óxidos de Pasco Unit, as set forth on the following map and further described below.



The following table summarizes the treated mineral, ore grade and aggregate production for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes) ...	8,077	8,809	4,414
Ore Grade			
Zinc (%)	3.8%	3.5%	3.1%
Silver (ounces per tonne).....	2.9	2.6	2.6
Lead (%).....	0.8%	0.8%	0.7%
Copper (%).....	0.1%	0.1%	0.1%
Gold (grams per tonne)	0.02	0.07	0.03
Concentrates			
Zinc (in thousands of tonnes)	463.2	454.3	332.8
Lead (in thousands of tonnes).....	48.8	56.4	41.2
Copper (in thousands of tonnes).....	11.7	11.3	8.8
Bulk (in thousands of tonnes)	50.3	45.8	33.1

Dore bars (in thousand kilograms)	109.3	115.3	59.1
Metal Contained			
Zinc (in thousands of tonnes)	241.1	239.0	117.5
Silver (in millions of ounces)	17.0	15.6	8.3
Lead (in thousands of tonnes)	47.2	49.4	29.1
Copper (in thousands of tonnes)	4.6	4.5	2.3
Gold (in thousands of ounces)	11.6	21.6	6.9

Mining Units

Each mining unit consists of one or more mines and treatment plants as summarized in the following table and further described below.

Mining Unit	Mines	Treatment Plants
Yauli	San Cristobal Andaychagua Ticlio Carahuacra	Victoria Mahr Tunel Andaychagua
Chungar	Animón Islay	Animón
Alpamarca	Alpamarca	Alpamarca
Cerro de Pasco	Raúl Rojas	Paragsha-San Expedito
Óxidos de Pasco	-	Óxidos

Yauli Unit

General

The Yauli Unit is located 40 kilometers from the city of La Oroya and 170 kilometers from Lima, and is accessible by road and railway. It is comprised mainly of four underground mines producing an aggregate of approximately 3.2 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at three concentrator plants with an aggregate processing capacity of 11,400 tonnes of ore per day. In 2019, this unit produced approximately 140,900 tonnes of zinc, 7.0 million ounces of silver, 20,000 tonnes of lead and 2,900 tonnes of copper, representing approximately 50% of our sales by value. As of December 31, 2019, this unit's proven and probable reserves represented an average mine life of seven years at 2019 production levels. In addition, its resources supported nine additional years of average mine life. The table below summarizes this unit's treated mineral, ore grade and production for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	3,212	3,170	1,446
Ore Grade			
Zinc (%)	4.9%	4.8%	5.1%
Lead (%)	0.7%	0.7%	0.9%
Copper (%)	0.2%	0.2%	0.2%
Silver (ounces per tonne)	2.8	2.5	3.1
Concentrates			
Zinc (thousand tonnes)	288.5	273.7	134.4
Lead (thousand tonnes)	40.5	42.6	23.7
	11.7	11.3	5.2
Copper (thousand tonnes)			
Metal Contained			

Zinc (thousand tonnes).....	146.6	140.9	69.0
Lead (thousand tonnes).....	19.1	20.0	11.8
Copper (thousand tonnes).....	2.9	2.9	1.4
Silver (million ounces).....	7.8	7.0	3.8

San Cristobal Mine

In 2019, the San Cristobal Mine produced a total of 1.2 million tonnes of ore grading 5.5% zinc, 2.9 ounces per tonne silver, 0.6% lead and 0.2% copper. In 2019, diamond drilling totaled 42.9 thousand meters and mine production levels were approximately 3,300 tonnes per day in 2019. The table below summarizes this mine's treated mineral and ore grade for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes).....	1,098	1,191	566
Ore Grade			
Zinc (%).....	5.4%	5.5%	5.5%
Lead (%).....	0.5%	0.6%	0.8%
Copper (%).....	0.2%	0.2%	0.3%
Silver (ounces per tonne).....	2.7	2.9	3.6

Andaychagua Mine

In 2019, the Andaychagua mine produced 1.0 million tonnes of ore grading 4.5% zinc, 2.8 ounces per tonne silver, 1.0% lead and 0.1% copper. In 2019, diamond drilling totaled 39.0 thousand meters and mine production levels were approximately 2,700 tonnes per day in 2019. The table below summarizes this mine's treated mineral and ore grade for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes).....	854	961	457
Ore Grade			
Zinc (%).....	4.3	4.5	4.8
Lead (%).....	1.0	1.0	1.1
Copper (%).....	0.1	0.1	0.1
Silver (ounces per tonne).....	4.3	2.8	2.8

Ticlio Mine

In 2019, the Ticlio mine produced 0.2 million tonnes of ore grading 4.3% zinc, 1.9 ounces per tonne silver, 0.9% lead and 0.4% copper. In 2019, diamond drilling advanced 22.9 thousand meters and production totaled 689 tonnes per day in 2019. The table below summarizes this mine's treated mineral and ore grade for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes).....	350	248	155
Ore Grade			
Zinc (%).....	5.2	4.3	5.2
Lead (%).....	1.3	0.9	1.0
Copper (%).....	0.3	0.4	0.4
Silver (ounces per tonne).....	1.5	1.9	2.1

Carahuacra Mine

In 2019, the Carahuacra mine produced 0.8 million tonnes of ore grading 4.4% zinc, 1.8 ounces per tonne silver and 0.5% lead. In 2019, diamond drilling advanced 27,100 meters and production was 2,123 tonnes per day in 2019. The table below summarizes this mine's treated mineral and ore grade for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	857	764	267
Ore Grade			
Zinc (%).....	4.9	4.4	4.9
Lead (%).....	0.3	0.5	0.9
Copper (%).....	0.1	0.1	0.1
Silver (ounces per tonne).....	2.0	1.8	3.1

Victoria Plant

In 2019, the Victoria plant treated a total of 1.8 million tonnes of ore grading 5.1 % zinc, 2.5 ounces per tonne silver, 0.6% lead and 0.2% copper, obtaining 161.500 tonnes of zinc concentrate, 17,500 tonnes of lead concentrate and 7,600 tonnes of copper concentrate. The table below summarizes the Victoria plant's operations for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	1,768	1,756	925
Ore Grade			
Zinc (%).....	5.4	5.1	5.3
Lead (%).....	0.4	0.6	0.8
Copper (%).....	0.2	0.2	0.2
Silver (ounces per tonne).....	2.4	2.5	3.2
Concentrated			
Zinc (thousand tonnes).....	176.6	161.5	88.1
Lead (thousand tonnes).....	13.6	17.5	13.1
Copper (thousand tonnes).....	8.1	7.6	5.2
Metal Contained			
Zinc (thousand tonnes).....	87.9	82.4	45.0
Lead (thousand tonnes).....	6.1	7.9	6.6
Copper (thousand tonnes).....	1.9	1.8	1.4
Silver (ounces).....	3.6	3.7	2.6

Mahr Tunel Plant

In 2019, the Mahr Tunel plant treated 0.3 million tonnes of ore grading 4.3% zinc, 2.2 ounces per tonne silver, 0.9% lead and 0.4% copper, obtaining 24,100 tonnes of zinc concentrate, 4,600 tonnes of lead concentrate and 3,600 tonnes of copper concentrate. The table below summarizes the Mahr Tunel plant's operations for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	462	318	0.0
Ore Grade			
Zinc (%).....	4.8	4.3	0.0
Lead (%).....	1.1	0.9	0.0
Copper (%).....	0.3	0.4	0.0
Silver (ounces per tonne).....	1.7	2.2	0.0
Concentrated			
Zinc (thousand tonnes).....	39.3	24.1	0.0
Lead (thousand tonnes).....	8.9	4.6	0.0

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Copper (thousand tonnes)	3.1	3.6	0.0
Metal Contained			
Zinc (thousand tonnes)	21.3	13.0	0.0
Lead (thousand tonnes)	4.7	2.3	0.0
Copper (thousand tonnes)	0.9	1.1	0.0
Silver (million ounces)	0.7	0.6	0.0

Andaychagua Plant

In 2019, the Andaychagua plant treated 1.1 million tonnes of ore grading 4.5% zinc, 2.7 ounces per tonne silver, 1.0% lead and 0.1% copper, obtaining 88,000 tonnes of zinc concentrate, 20,600 tonnes of lead concentrate and 100 tonnes of copper concentrate. The table below summarizes the Andaychagua plant's operations for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	982	1,095	520
Ore Grade			
Zinc (%)	4.1%	4.5%	4.9%
Lead (%)	0.9%	1.0%	1.1%
Copper (%)	0.1%	0.1%	0.1%
Silver (ounces per tonne)	4.0	2.7	2.8
Concentrated			
Zinc (thousand tonnes)	72.6	88.0	46.3
Lead (thousand tonnes)	18.0	20.6	10.6
Copper (thousand tonnes)	0.5	0.1	0.03
Metal Contained			
Zinc (thousand tonnes)	37.4	45.5	24.0
Lead (thousand tonnes)	8.2	9.8	5.2
Copper (thousand tonnes)	0.1	0.03	0.01
Silver (million ounces)	3.6	2.6	1.3

Outlook

The strategy for the future of the Yauli Unit is based on the consolidation of its reserve and resource levels in order to allow for exploitation planning and for the evaluation of opportunities to increase production. Exploration projects underway have confirmed the continuity of ore deposits deep into the most important veins.

In particular, geological evaluations associated with hydrothermal structures have permitted discovery and exploration of two new high-grade structures of zinc known as Salvadora and Salvadora Norte. Exploration of the Prosperidad Techo body has also indicated high zinc values at the Andaychagua mine, which is expected to perform strongly in coming years, although we can offer no assurance that will be the case.

For the Zoraida project, in 2021 we plan to conduct a 6,000 meter diamond drilling program to the northwest and southeast of the mineralized deposits. The program is expected to increase our indicated high grade mineral resources by 2.0 million MT. Simultaneously, conceptual geotechnical, metallurgical and hydrogeological studies will be carried out with the goal of commencing the scoping study in the fourth quarter of 2021.

Chungar Unit

General

The Chungar Unit is comprised of two underground mines producing an aggregate of approximately 1.7 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at a concentrator plant, which has a processing capacity of 5,200 tonnes of ore per day. In 2019, this unit produced approximately 74,700 tonnes of zinc, 3.2 million ounces of silver, 18,400 tonnes of lead and 1,200 tonnes of copper, representing approximately

28% of our sales by value. As of December 31, 2019, this unit's proven and probable reserves represented an average mine life of six years at 2019 production levels. In addition, its resources supported 11 additional years of average mine life. The table below summarizes this unit's treated mineral, ore grade and production for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30, 2020
Treated Mineral (thousand tonnes)	1,690	1,705	829
Ore Grade			
Zinc (%)	4.8%	4.7%	4.6%
Lead (%)	1.2%	1.2%	1.4%
Copper (%).....	0.1%	0.1%	0.1%
Silver (ounces per tonne)	2.8	2.3	2.4
Concentrates			
Zinc (thousand tonnes).....	133.2	131.6	61.2
Bulk (thousand tonnes)	39.9	37.9	21.0
Metal Contained			
Zinc (thousand tonnes).....	74.9	74.7	35.2
Lead (thousand tonnes)	18.1	18.4	10.6
Copper (thousand tonnes)	1.3	1.2	0.7
Silver (million ounces).....	3.9	3.2	1.7

Animón Mine

In 2019, the Animón mine produced 1.5 million tonnes of ore grading 5.3% zinc, 1.9 ounces per tonne silver, 1.2% lead and 0.1% copper. In 2019, diamond drilling advanced 51,700 meters and mine produced 4,032 tonnes of ore per day. The table below summarizes this mine's treated mineral and ore grade for the periods indicated.

	Year ended December 31,		Nine months ended
	2018	2019	September 30, 2020
Treated Mineral (thousand tonnes)	1,387	1,452	724
Ore Grade			
Zinc (%).....	5.6%	5.3%	5.0%
Lead (%)	1.3%	1.2%	1.5%
Copper (%)	0.1%	0.1%	0.1%
Silver (ounces per tonne)	2.2	1.9	2.0

Islay Mine

In 2019, the Islay mine produced 0.3 million tonnes of ore grading 1.7% zinc, 5.1 ounces per tonne silver, 0.9% lead and 0.1% copper. In 2019, diamond drilling advanced 33,000 meters and mine produced 704 tonnes of ore per day.

	Year ended December 31,		Nine months ended
	2018	2019	September 30, 2020
Treated Mineral (thousand tonnes)	294	253	105
Ore Grade			
Zinc (%).....	1.2%	1.7%	1.6%
Lead (%)	0.7%	0.9%	0.9%
Copper (%)	0.1%	0.1%	0.1%
Silver (ounces per tonne)	5.7	5.1	5.7

Animón Plant

In 2019, the Animón plant treated a total of 1.7 million tonnes of ore grading 4.7% zinc, 2.3 ounces per tonne silver, 0.1% copper and 1.2% lead, obtaining 131,600 tonnes of zinc concentrate and 37,900 tonnes of bulk concentrate. The plant reported a capacity level of 5,200 tonnes per day in 2019. The table below summarizes the Animón plant's operations for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes)	1,690	1,705	829
Ore Grade			
Zinc (%)	4.8%	4.7%	4.6%
Lead (%).....	1.2%	1.2%	1.4%
Copper (%).....	0.1%	0.1%	0.1%
Silver (ounces per tonne).....	2.8	2.3	2.4
Concentrates			
Zinc (thousand tonnes)	133.2	131.6	61.2
Bulk (thousand tonnes).....	39.9	37.9	21.0
Metal Contained			
Zinc (thousand tonnes)	74.9	74.7	35.2
Lead (thousand tonnes)	18.1	18.4	10.6
Copper (thousand tonnes).....	1.3	1.2	0.7
Silver (million ounces)	3.9	3.2	1.7

Outlook

Work in surface mapping, geochemistry and geophysics is expected to continue in coming years, with the purpose of generating drill targets and extending the life of the mines through of the incorporation of economic mineral resources as well as the discovery of new structures with high zinc, lead and silver contents, including Vein 3 in the Animón mine and the Jazmín and Guadalupe mantles in the Islay mine. In particular, in the Animón mine, exploration of the Esperanza body was restarted and 959 meters of diamond drilling was executed. This exploration project demonstrated the continuity of the ore body to the southeast. There are plans to carry out an additional 3,500 meters of diamond drilling to continue exploration of the mine in 2021. Geophysical, geotechnical and metallurgical studies will be carried out simultaneously.

Alpamarca Unit

General

The Alpamarca Unit is comprised of one open pit mine producing an aggregate of approximately 0.9 million tonnes per year of ore bearing zinc, silver, lead and copper. The ore is treated at a concentrator plant, which has a processing capacity of 2,500 tonnes of ore per day. In 2019, this unit produced approximately 5,900 tonnes of zinc, 1.2 million ounces of silver, 4,700 tonnes of lead and 400 tonnes of copper, representing approximately 5% of our sales by value. As of December 31, 2019, this unit's proven and probable reserves represented an average mine life of two years at 2019 production levels. The table below summarizes this unit's treated mineral, ore grade and production for the periods indicated.

	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020
Treated Mineral (thousand tonnes)	948	950	542
Ore Grade			
Zinc (%)	1.0%	0.7%	1.0%
Lead (%)	0.7%	0.5%	0.7%
Copper (%).....	0.1%	0.0%	0.1%
Silver (ounces per tonne)	1.7	1.4	1.7
Concentrates			

Zinc (thousand tonnes).....	15.3	10.2	8.1
Bulk (thousand tonnes)	10.4	7.8	5.5
Metal Contained			
Zinc (thousand tonnes).....	8.4	5.9	4.4
Lead (thousand tonnes)	6.2	4.7	3.2
Copper (thousand tonnes)	0.4	0.4	0.2
Silver (million ounces).....	1.5	1.2	0.8

Outlook

We believe that the future of the Alparmarca Unit is in the Romina project. We have determined the existence of important deposits of zinc, lead and silver here, particularly in the Puagjanca body. In surrounding areas we also determined the existence of the Andrea, Adriana and Esperanza deposits. Romina is expected to enter production in 2024, with an estimated annual production of 30,000 tonnes of zinc, 20,000 tonnes of lead and 0.7 million ounces of silver. In the case of the Carhuacayán Project, during 2021 we plan to carry out the metallurgical, geotechnical and hydrogeological models necessary to commence the scoping study. See “—Growth Projects—Mining Projects—Romina Project and Carhuacayán Project” for additional information on the projects.

In 2021, 2,996 meters of diamond drilling are planned at the Alparmarca Unit in connection with exploration and definition projects which will guide production planning for 2021 and 2022. Evaluations of the Fortuna sector, another sector we believe has high geologic potential, and resources outside of the pit are also expected to move forward.

Cerro de Pasco Unit

General

The Cerro de Pasco Unit is located in the Pasco district, Pasco department, and is accessible from the Central Highway of Peru, approximately 295 kilometers from Lima. It consists of an open pit mine, and mineral stockpiles producing an aggregate of approximately 2.1 million tonnes per year of ore bearing zinc, silver and lead. The Raul Rojas open pit is located within close proximity to the city of Cerro de Pasco, which has more than 60,000 inhabitants and has grown alongside the mine since mining activity began in the Colonial period. This close proximity to a populated area poses significant challenges to the future expansion of the mine’s operations. The ore is treated at the Paragsha-San Expedito concentrator plant, which has an aggregate processing capacity of approximately 7,000 tonnes of ore per day. In 2019, this unit produced approximately 17,500 tonnes of zinc, 0.8 million ounces of silver and 6,300 tonnes of lead, representing approximately 6% of our sales by value.

	Year ended December 31,		Nine months ended
	2018	2019	September 30, 2020
Treated Mineral (thousand tonnes).....	1,314	2,073	1,156
Ore Grade			
Zinc (%).....	1.9%	1.9%	1.8%
Lead (%).....	0.5%	0.6%	0.6%
Silver (ounces per tonne).....	0.6	0.8	0.7
Concentrates			
Zinc (thousand tonnes)	26.2	38.8	18.6
Lead (thousand tonnes).....	8.3	13.8	7.4
Metal Contained			
Zinc (thousand tonnes)	11.2	17.5	8.9
Lead (thousand tonnes).....	3.7	6.3	3.4
Silver (ounces).....	0.4	0.8	0.4

Outlook

In future years it is expected that the plant will treat ore from the Miraflores and Rumiallana stockpiles, which we expect will allow the continuity of the Cerro de Pasco unit until 2028. Evaluations to determine additional opportunities for the Cerro de Pasco Unit are currently underway.

Óxidos de Pasco Unit

General

The Óxidos de Pasco Unit is located in the Pasco district, Pasco department, and is accessible from the Central Highway of Peru, approximately 295 kilometers from Lima. It consists of a leaching plant treating oxides in situ and stockpiles, with an aggregate processing capacity of approximately 2,500 tonnes of ore per day. This unit produces an aggregate of approximately 0.9 million tonnes per year of ore bearing silver and gold. In 2019, this unit produced approximately 3.4 million ounces of silver and 15,400 ounces of gold, representing approximately 10% of our sales by value.

	Year ended December 31,		Nine months ended
	2018	2019	September 30,
			2020
Treated Mineral (thousand tonnes)	914	911	441
Ore Grade			
Silver (ounces per tonne).....	8.1	8.8	9.3
Gold (grams per tonne)	0.2	0.7	0.3
Metal Contained			
Silver (in millions of ounces)	3.4	3.4	1.7
Gold (in thousands of ounces).....	4.1	15.4	3.2

Outlook

Between 2021 and 2022, we expect to obtain the necessary permits to continue the treatment of oxides with high gold content at the Óxidos de Pasco Unit.

Transportation and Shipping

After we extract the ore from our mines, we transport it by truck or, in the case of Cerro de Pasco, by belt, to the plants that will treat them and produce the concentrates, which is our final product. Concentrate's destinations change and are selected according to a shipping and delivery program managed by our commercial department. We transport all our concentrates to warehouses in the Callao port area except for part of the zinc concentrates that we allocate to the Cajamarquilla refinery. We transport concentrates to both destinations either by truck or railroad, depending on the availability thereof and the plant where they come from. The Yauli and Cerro de Pasco Units can easily share trucks and railcars. In the case of the Chungar and Alpamarca Units, the transportation method currently used is trucks. In relation to our dore bar sales, we use armored trucks for the transportation of the bars from the relevant unit to the Jorge Chavez Airport in Lima and the bars are then transported by plane to the country of destination (which in most cases is Switzerland).

We use the following delivery types for the concentrates that we transport to the Callao port:

- *CIP (Carriage and Insurance Paid to) Warehouse.* Concentrates are delivered locally when they enter the warehouse, transferring the title at that moment. Concentrates are usually exported afterwards but we do not arrange the process.
- *FOB (Free on Board) Callao port.* Concentrates are delivered at the warehouse and stored there until the buyer provides a vessel for loading and shipping. The sale process is concluded when the concentrates cross the ship's rail during loading. We arrange the export paperwork.

- *CIF (Cost, Insurance and Freight) “Discharge Port.”* Concentrates are delivered at the warehouse and stored there until we arrange a vessel for loading and shipping. The sale process is concluded when the concentrates arrive at discharge port. We arrange the export paperwork.

Sales & Marketing

We sell our products through long-term contracts, auctions and one-off agreements. In 2019, 75% of our sales were under long-term contracts and 25% under auctions. Our ability to deliver significant volumes across several key metals makes us a significant supplier to a broad client base composed of major global commodity traders and refineries. As a result, we have significant negotiating leverage and typically obtain very competitive commercial terms for our products. Our current commercial policy is to be fully contracted for at least the following six months of production up to a maximum of three years. Sales prices for our products are established principally by reference to prices quoted on the London Metal Exchange and London Bullion Market. Pricing is based on prevailing average prices for the relevant metal for a given period, generally for the month following shipment or close to the execution date. Revenues are recorded at provisional prices determined at the time of shipment. Usually, an adjustment is then made after delivery of the metal, based on the pricing terms contained in the applicable contract. Sales to trading companies accounted for approximately 57% of our sales by value in 2019 and 48% in the first nine months of 2020.

We take advantage of our leading position in the Central Andes in terms of tonnage and a diversified high quality product basket. The Central Andes is home to several other major mining operations. As a result, this area is one of the most important concentrate hubs of the world. In addition, trading companies have a long history in the region and are generally willing to accept premium terms for a significant share of our concentrates, as our volume and quality is needed to offset other producers’ low volume and especially lower quality concentrates. Because of the quality and volume of our production, we have several alternatives to choose from when placing our sales.

We currently have long-term agreements for the sale of our products with two Glencore affiliates (Glencore Peru S.A.C. and Glencore Lima Trading S.A.C.). These agreements represent approximately 44%, 35% and 81% of our zinc, lead and copper sales, respectively. We also have long-term agreements with the Cajamarquilla refinery in Peru, which belongs to Nexa Resources, S.A. Like most of our contracts, these contracts provide for an export and local delivery option. In 2020, we expect to sell 50% of our concentrates directly to refineries and the balance to trading companies, in which the long-term contracts with Glencore affiliates are expected to account for approximately 36% of our sales by value.

Exploration

In 2019, we completed exploration activities in four advanced projects: Romina, Carhuacayán, Zoraida, and Palma totaling 54,294 meters of diamond drilling.

Growth Projects

We are carrying out a series of mining projects that are expected to result in growth during the next five years. Most of these projects are located in close proximity to our current areas of operation, thus presenting an attractive risk/return profile. The following table summarizes the expected contributions of these projects.

<u>Mining Projects</u>	<u>Operating Unit / Project</u>	<u>Additional expected production per year (thousand ore tonnes)</u>	<u>Estimated start date</u>
Romina	Alpamarca	900	2024
Carhuacayán	Alpamarca	540	2026
Palma	Stand alone	1,000	TBD
Zoraida	Yauli	540	2024

No assurance can be given that these projects will be completed. See “Risk Factors—Risks Relating to our Business—Our projects are subject to risks that may result in increased costs or delays that prevent their successful implementation.”

Mining Projects

Romina Project

The Romina project is located in the Santa Cruz Andamarca District, 9 kilometers west of the Alpamarca mine. It is a zinc, lead and silver polymetallic mineralization in the form of replacement bodies. The Romina project is noteworthy among the advanced projects as significant mineralization has been defined, specifically in the Puagjanca body which has significant zinc, lead and silver content. In addition, a significant mineralization has been discovered near Puagjanca between mineralized bodies and the Andrea, Adriana and Esperanza deposits.

Initial exploration was executed between 2008 and 2012 by Votorantim Metais and later by Compañía Minera Milpo, which completed 13,263 meters of diamond drilling in 43 boreholes.

In 2017, an infill drilling program of 9,572 meters was completed totaling 27 boreholes on the Puagjanca body to refine the geological model and define the category of the resources.

In 2018, an infill drilling program of 5,830 meters was completed totaling 33 boreholes on the upper part of the Puagjanca body, including the surface. The positive results refined the geological model and increased the resource base.

In 2019, an infill drilling program of 3,994 meters was completed totaling 15 boreholes on the Puagjanca body in order to re-categorize the mineral resources, increasing certainty as well as increasing the resource base. Diamond drilling was also completed for metallurgical tests at a pilot level, carried out by SGS Chile, as well as drilling for geo-mechanical stress measurement tests. After 10,170 meters of diamond drilling, inferred resources were defined in the Andrea, Adriana and Esperanza deposits. These deposits are found in the vicinity of the Puagjanca body and we believe they should significantly increase the project’s potential. The pre-feasibility study was also completed in 2019, which determined that the Puagjanca body will be developed via open pit and sublevel caving mining methods. A feasibility study of the engineering for the mine and surface infrastructure was also commenced in 2019.

The Romina project is now in the final feasibility stage. Currently, the hydrological study is being updated, the project’s environmental impact study is being developed and the engineering process is under review by the Glencore Zinc technical services team, consultants, and our team. Following completion of permitting and construction processes, the Romina project is expected to enter production in 2024, with an estimated annual production of 30,000 tonnes of zinc, 20,000 tonnes of lead and 0.7 million ounces of silver. We expect ore from the project to be treated at the Alpamarca Concentrator Plant.

Carhuacayán Project

Situated 20 kilometers east of the Alpamarca Mine, Carhuacayán is a polymetallic project consisting of zinc, lead, and silver resources located in a mountainous area. The mineralization is observed in veins, breccia bodies, replacement bodies and deposits. At Carhuacayán, a significant mineralization of zinc, lead and silver was defined in the La Tapada body, not just beneath the old pit mine, but also on other levels of this older mine. Like the Romina project, we expect ore from Carhuacayán to be treated at the Alpamarca Concentrator Plant.

In 2017, a 21,811-meter diamond drilling program was completed in La Tapada, Candelaria and surrounding areas. Positive results were obtained, with significant mineralization found primarily in La Tapada. In addition, new possible exploration zones were defined. Replacement bodies were found in La Tapada, in an embedded lime block that had been mined previously. This half-table replacement zone has dimensions that are more than 500 meters long and 300 meters deep, with a width ranging from 30 to 50 meters, located in very significant polymetallic mineralization areas.

In 2018, a 14,110-meter diamond drilling program was completed in La Tapada. This was carried out primarily in the old production zone, showing significant mineralization in these older levels, defining a continuous mineralization throughout the older zone.

In 2019, a 10,359-meter diamond drilling program was completed in La Tapada, where indicated and inferred resources were increased to 10.1 million MT, and significant mineralization was shown in La Tapada Norte and La Tapada Oeste. Trade-off studies were commenced at venture analysis level.

In 2020, a preliminary economic evaluation at the venture analysis level was completed. Despite the positive results, a planned 5,500 meter diamond drilling program was suspended as a result of the COVID-19 pandemic. During 2021, we plan to carry out the metallurgical, geotechnical and hydrogeological models necessary to commence the scoping study.

Palma Project

Located 60 kilometers southeast of the city of Lima, Palma is a greenfield project aimed at extracting volcanogenic massive sulfides (“VMS”) distributed in mineralized deposits of zinc, lead, and silver. A significant mineralization of zinc, lead and silver has been defined, sufficient to begin a mining project separate from the other Mining Units.

The first stage of the project involved 17,000 meters of diamond drilling. Diamond drilling permitted estimation of inferred resources and identification of ore structured in deposits, which we believe show optimal potencies, good rock quality, and mineralization open both at depth and towards the sides.

The second amendment to the EIASd was approved by DGAAM in 2017, after which a 7,920 meter diamond drilling program was completed in the upper part of the deposit, confirming the continuity of the mineralization.

In 2018, a 21,591 meter diamond drilling program was completed in the zone, which we believe shows very positive results. The mineralization horizon increased by one kilometer, with over 600 meters in depth.

In 2019, a 19,041 meter diamond drilling program directed towards the southwest extension was completed, achieving a significant increase in indicated and inferred resources to 22.7 million MT. The scoping study of the project also commenced.

In 2020, the scoping study was completed. The study concluded that it is necessary to determine the continuity of the mineralized bodies in order to permit (i) an optimal mining design and (ii) the contouring of high-grade areas. In 2021, we plan to review the geological model in search of more continuous mineralized bodies that would allow the mine design to be viable. We also plan to conduct geophysical exploration south of the mineralized bodies in search of new drill targets, with particular focus on copper resources that may be located underneath the zinc bodies.

Zoraida Project (Yauli)

Located 7 kilometers south of the Andaychagua mine, Zoraida is primarily a silver project with lead and zinc content. Due to its geological characteristics, it may become the third polymetallic system in the Yauli dome, after San Cristóbal and Andaychagua Mines. Production at Zoraida is expected to be treated in the Andaychagua concentrator plant.

In 2018, more than 23,000 meters of diamond drilling performed from 2007 to 2014 were reviewed and reinterpreted under new standards. This review has assisted in defining part of the Zoraida Vein and replacement bodies with significant mineralization of silver, lead and zinc, generating a new geological model we believe has high potential.

In 2019, a 10,730 meter diamond drilling program was completed, which made it possible to validate the geological model based on diamond drilling carried out in previous years and indicated and inferred resources of four million MT with a significant silver content.

In 2020, the preliminary economic study for the venture analysis was completed with positive results.

In 2021, we plan to conduct a 6,000 meter diamond drilling program to the northwest and southeast of the mineralized deposits. The program is expected to increase our indicated high grade mineral resources by two million MT. At the same time, conceptual geotechnical, metallurgical and hydrogeological studies will be carried out with the goal of commencing the scoping study in the fourth quarter of 2021.

Brownfields Exploration

Andaychagua and Ticlio (Yauli)

A brownfields exploration was undertaken in 2018 in the Yauli Unit, with a special emphasis on the Andaychagua and Ticlio Mines, to define new mineralization zones and define the extent of current mines, generating a base to increase resources and replacement zones.

The work involved preparation of databases (compilation, standardization and integration of historic geological data), creation of 3D geological models (lithology, structural, alterations and mineralogy), defining drilling targets and exploring superficially (geological mapping, semi-detailed geochemical and mineralogical prospection and geophysical prospection). This work provided the basis for defining several initial targets, both for the Andaychagua and Ticlio Mines.

In 2019, a 6,735-meter diamond drilling program was completed in the Ticlio and Andaychagua mines, identifying targets we believe have strong potential. In 2020, only 1,303 meters were drilled in the brownfield program as a result of the COVID-19 pandemic.

At Ticlio, in the old San Nicolás Mine, a corridor called Lucy featuring zinc, lead and silver mineralization was defined. Likewise, a zinc skarn mineralization was discovered. In addition, important polymetallic mineralization (mainly silver) was discovered in the western extension of the old Borrachitos mine. In 2020, no diamond drilling work was completed in these areas due to the COVID-19 pandemic. No diamond drilling program is currently being considered for 2021, as our strategy has shifted to focus on actual operations at Ticlio.

In the Andaychagua mine, it has been possible to verify the continuity of the Andaychagua metavolcanic corridor, as well as the feeder veins that contribute to the formation of mineralized bodies. The diamond drilling exploration continued for this corridor during 2020. By the end of 2020, the diamond drilling program had also began in Esther–Gina with a target of 615.40 meters. The first drill hole intercepted a metavolcanic corridor which is expected to show zinc mineralization, similar to other bodies in the area of the Andaychagua mine. In 2021, we plan to carry out 2,600 meters of diamond drilling exploration in this corridor, which is located 700 meters southeast of our current operations in the Andaychagua mine.

Geophysical prospecting work has also been carried out in the San Cristóbal metavolcanic rocks corridor, looking for replacement bodies similar to those of Andaychagua. The results show anomalies to be evaluated with diamond drilling during 2021.

Finally, in the Carahuacra mine located 800 meters northwest of the Andachagua mine, two targets, Millet and Corridor 8, have been defined. These targets show zinc, lead, cooper and silver mineralization and are expected to be evaluated though a diamond drilling program during 2021.

Expansion of Current Operations

Yauli

The drilling campaigns executed during 2019 were mainly aimed at measuring indicated resources and recategorizing indicated and inferred resources, as well as increasing resources with the discovery of new structures and reinterpretation of old structures. The geological evaluation works conducted by the Excelsior Mining Corporation related to hydrothermal structures have permitted the discovery and exploration of two new high-grade zinc structures known as the Salvadora and Salvadora Norte bodies.

Strong results were obtained in the exploration of the Prosperidad Techo lower body, with high zinc values found at the Andaychagua mine, which are expected to allow it to perform well in coming years. During 2019, a 131,985 meter diamond drilling program was also executed with good results.

The drilling campaigns executed during 2020 were mainly aimed at measuring and recategorizing indicated resources, as well as increasing resources with the discovery of new structures and reinterpretation of old structures. During 2020, our operations were limited as a result of the COVID-19 pandemic and we were only able to complete a 51,727 meter diamond drilling campaign. However, this campaign had very strong results as detailed below.

The campaign showed the strength of the meta-volcanic corridor that contains the replacement bodies (Salvadora, Salvadora Norte and Prosperidad Techo) and will allow the recognition of an important metallotect in Yauli to be considered in future exploration work. The results confirmed depth and lateral continuity of the resources in the main mineralized structures. We expect to begin operations at the Salvadora body and preparing for operations at the Salvadora Norte body in 2021, Salvadora body will go to exploitation and Salvadora Norte will go to preparation.

In addition, the following new resources were determined at Yauli:

- (i) Andaychagua: As a result of the drill interception of the Puca Urco vein within the metavolcanic corridor, we determined continued deepening and lateralization of the Veta Andaychagua, Salvadora and Salvadora Norte bodies.
- (ii) San Cristóbal: We found increased width of approximately eight meters of the 658 vein; continuation of the Ramal Piso and 722 veins and lateral continuation of the Tensional Sheyla vein.
- (iii) Carahuacra: We defined the Jazmin vein, which has demonstrated good silver values.
- (iv) Ticlio: Our diamond drilling program defined new replacement bodies with high zinc grades. The Kelly vein also increased in size with high copper and silver grades. In addition, the Katti vein resources increased by 40% as a result of reinterpretation of new and existing data.

Chungar

A brownfields exploration program was initiated below the operating area and in the lateral extensions of the Animón mine, where a 2,815 meter diamond drilling program was conducted to explore for polymetallic bodies. This program made the discovery of the Esperanza body possible, as it is located 700 meters deeper than the current infrastructure. The results registered an economic intercept of 120 meters with good zinc and copper content.

Similarly, the northwest area of the Islay mine is being explored in order to evaluate potential new structures. A 84,696 meter diamond drilling campaign was executed in both Animón and Islay mines in 2019. The exploration work in the Animón and Islay mines was aimed at ensuring compliance with the 2019 production plan and extending the life of the mine, through the incorporation of economic mineral resources and the discovery of new structures with high content of zinc, lead and silver. Examples include vein 3 in the Animón mine and the Jazmín and Guadalupe deposits in the Islay mine.

In the Animón mine of the Chungar Unit, we restarted exploration of the Esperanza body in 2020, executing 959 meters of diamond drilling which demonstrates the continuity of the ore body to the southeast. In 2021, we plan to carry out a 3,500 meter diamond drilling program to continue the exploration. Conceptual geophysical, geotechnical and metallurgical studies will be carried out simultaneously.

Alpamarca

Local exploration at Alpamarca primarily focused on developing a drilling program beneath the pit to elevate the certainty of inferred resources to measured and indicated resources, incorporate new inferred resources, and assess continuity of mineralization in the pit deepening zone. An 8,313 meter diamond drilling program was completed in 2018.

In 2019, we completed an additional diamond drilling program of 7,083 meters to determine new resources, including certain of the inferred and indicated resources on the east and west walls of the north and center pits. The results of this diamond drilling program were positive and defined mineralization economic continuity on the northwest and northeast main systems.

In 2020, we completed a 2,437 meter diamond drilling program to increase the certainty of our inferred and indicated resources and to develop our 2020 and 2021 production plans. We obtained positive results from this program, identifying the Fortuna sector as an area with high geological potential.

In 2021, we plan to execute a 2,996 meter diamond drilling program with a focus on exploration and definition of resources to develop our 2021 and 2022 production plans. We will also evaluate the resources from the pits and the Fortuna sector.

Status of Permits & Authorizations

The following table summarizes the status of permits and authorizations for each of the projects.

Project	Status
Romina	EIAAd for exploitation is in progress and will be submitted for evaluation by SENACE in December 2021. First modification of EIAAd for exploration was approved by MINEM in January 2021. EIAAd (2018) for exploration was approved.
Carhuacayán	First modification of EIAAd for exploration is under evaluation by MINEM, approval is expected in June 2021. EIAAd (2016) for exploration was approved.
Zoraida	Modification of EIAAd (2019) for exploration was approved.
Palma	First ITS of the second EIA for exploration was approved. Second modification of EIAAd (2017) for exploration was approved. First modification of EIAAd (2014) for exploration was approved.

Trust Agreements to Administer Customer Payments and Our Expenses

We and our subsidiaries Empresa Administradora Cerro and Compañía Minera Chungar (formerly Empresa Administradora Chungar S.A.C.) each executed and entered into separate administrative trust agreements with Banco Internacional del Perú S.A.A. (Interbank), as trustee, in 2013, 2013 and 2015, respectively. Under these trust agreements, we and our subsidiaries established and transferred in trust all amounts owed to each of us by certain of our customers (the “Collection Rights”) and (ii) all sums of money from such credit rights (the “Cash Flows”). As of the date of this listing memorandum, the trusts serve as a mechanism for us and our subsidiaries to administer all of our current operating and financial expenses. We and our subsidiaries are currently the sole beneficiaries of each of our respective trusts, and such trusts do not currently guarantee any of our obligations to any third party. If we were to enter bankruptcy, our rights to collect from the trust as beneficiaries would be put into the bankruptcy estate and would not be available to us, including to make payments under the notes. See “Risk Factors—Risks Relating to the Notes and Guarantees—Certain of our assets are held in trust and thus may not be available to us in the case of a bankruptcy.”

Power and Energy Supply

We obtain electricity for our operations from the SEIN and our own hydroelectric power plants. . For the year ended December 31, 2019 and the year ended December 31, 2020, we supplied approximately 20% and 23%, respectively, of our electricity demand. The remainder of our electricity consumption is currently supplied by Engie Energía Peru S.A. In January 2018, we signed a new electricity supply agreement through December 31, 2023 with Engie Energía Peru S.A. The power and energy supplies were increased to cover an estimated increase in the electrical demand of mining units and new projects.

Energy Generation

As of September 30, 2020, energy generation totaled 329.7 GWh, up 18.5% from the previous year’s figure of 278.3 GWh. This increase was mainly due to the fact that the Rucuy Plant restarted operations in June 2019 and its operations remained constant throughout 2020.

Compañía Hidroeléctrica Tingo S.A.C. (“Compañía Hidroeléctrica Tingo”) owns the 1.25 MW Tingo Plant and 82 kilometers of 50 and 22.9 kV transmission lines. The Tingo Plant generated 0.3 GWh, which were fully supplied to the Chungar Unit’s operations. This power plant already has an approved environmental instrument and is currently taking the pertinent steps to obtain the final generation concession for the Tingo Plant expansion project from 1.25 MW to 15 MW.

Meanwhile, Empresa Hidroeléctrica Huanchor generated 112.3 GWh in 2020, representing a 5.1% reduction over 2019. Such decrease was due to the corrective maintenance of two power transformers that connect the power plant with the SEIN. Empresa Hidroeléctrica Huanchor is a member of the Economic Operation Committee (“EOC”) of the National Interconnected System (“COES”) and maintained electricity supply contracts with eight customers throughout 2020.

Finally, Empresa de Generación Eléctrica Río Baños, owner of the Rucuy Plant, generated 102.1 GWh. Empresa de Generación Eléctrica Río Baños is member of the EOC of the COES and maintains a renewable energy resources contract with the Peruvian government, under which it earns a guaranteed income for the generation of 110 GWh a year.

Energy Consumption

Our consolidated energy consumption as of September 30, 2020 totaled 479.9 GWh, with a peak demand of 95 MW. This represented a 15.3% reduction as compared to 2019. This is mainly explained by the shutdown of mining operations from March 2020 to May 2020 due to restrictions imposed as a result of the COVID-19 pandemic.

Energy generation accounted for 24% of our total energy consumption. Additional energy required was purchased from Engie Energía Peru S.A. and supplied via the National Interconnected System (SEIN), through a supply contract effective from January 1, 2018. During the years ended December 31, 2019 and 2018, we paid US\$31.4 million and US\$35.4 million, respectively under this supply contract.

The annual availability recorded for the SEIN during 2019 in Yauli was 99.91%, while the availability in Chungar–Alpamarca was 99.15%, excluding preventive maintenance activities. This indicator reflects the level of continuity and availability of electricity supply to the mining operations.

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
Energy generation (GWh)	307.8	386.7	278.3	329.7
Chungar	153.0	151.2	116.8	114.8
Tingo	9.1	8.6	6.8	0.3
Huanchor	145.6	159.1	118.4	112.3
Rucuy	0.0	67.7	36.3	102.1
Energy consumption (GWh)	711.8	755.6	566.4	479.9
Energy purchase (GWh)	549.6	595.8	442.9	364.8

Employees

We employ more than 9,700 workers to carry out our operations, 32% of which are under direct payroll and 68% are from mining service contractor companies. As of September 30, 2020, we had ten front-line workers unions among our direct payroll staff. Front-line workers unions represented approximately 43% of direct payroll workers at the Yauli Unit and our Lima headquarters, 45% of direct payroll workers in the case of the Cerro de Pasco Unit and 29% in the case of the Chungar and Alpamarca Units). We negotiate collective agreements with the unions annually. These negotiations generally focus on salaries, working conditions and welfare.

Although management believes its present labor relations are good, there can be no assurance that a work slowdown, a work stoppage or strike will not occur prior to or upon the expiration of the current collective bargaining agreements and management is unable to estimate the effect of any such work slowdown, stoppage or strike on our production levels.

Health, Safety and Environmental Compliance; Relationships with Communities

We are committed to world-class industry practices in the areas of health, safety and environmental management. Our activities are subject to regular internal audit programs following internationally accepted norms and we have a long history of obtaining and renewing international health, safety and environmental certifications. All of our mining units have been ISO 14001 and OHSAS 18001 certified for over six years. Our health, safety and environmental management policies include investments in technology, the implementation of emergency response programs and regular employee training, among other strategies.

We are in the process of incorporating modern management concepts with a specific focus on social responsibility, a concept which includes management aspects of both internal and external stakeholders. The management of external stakeholders is a function of the social responsibility management and is aimed at fostering a harmonious relationship of these stakeholders with us. For these stakeholders the key aspects of the relationship are maintaining adequate communication, the establishment of agreements beneficial to the parties and compliance with these agreements.

Our operations are located in rural social areas which possess a culture and worldview that differ from a business or corporate life in significant respects. In order to have an appropriate relationship with the members of these rural social areas it is necessary to understand their history, culture, uses, traditions and customs. On the other hand, the low development of these emerging social areas offers opportunities to help foster economic activity, enabling the use of funds from non-renewable natural resources to boost cost-effective economic activities using renewable natural resources.

Our core action involves establishing solid agreements with stakeholders and enforcing compliance with these agreements to support the trust and engagement with these stakeholders, the aspects of nutrition, health and education to strengthen the social community with healthy and educated future generations, as well as the development of infrastructure, and productive development in particular, to foster sustainable development.

We have been working closely with the communities surrounding our operations since we were founded over 70 years ago. We are committed to upholding our tradition of building and developing strong relationships with local communities by providing employment and demand for local products and services, and investing in community development programs. As of December 31, 2019, we have entered into 69 agreements with most of these local communities that mainly provide for the use of their land for our operations.

In carrying out these objectives, we have benefited approximately 100,000 people through the development of various activities and projects, the most important of which are indicated below:

- *Elementary and High School Education:* Our partnership with “Enseña Perú” remains strong. This NGO aims to transform education and ensure all students in Peru have the opportunity to reach their potential. In 2019, this partnership benefited more than 830 students in primary and secondary schools, helping to improve their performance in math, language comprehension, physics, English, science, and technology and the environment. We also continued our full scholarship program benefiting the different mining units.
- *Health Campaigns:* We continue to partner with NGO Prisma to support the improvement of health standards and quality of life in the communities in which we operate.

The project has identified the most prevalent diseases in the communities in which we operate in more than 10 medical specializations. In response, we implemented preventive care programs including advocacy meetings, promotion of awareness, and experiential educational sessions on topics focused on disease prevention, including personal care and hygiene, healthy eating and anemia prevention. Given that the government plays a fundamental role in ensuring the sustainability of the project, we also seek to involve government authorities in the implementation and execution of these initiatives.

We have also helped patients identified as requiring immediate medical attention to access proper treatment more than 9,500 times every year.

- *Economic Development:* Together with the NGO Prisma, we have designed a joint strategy for the conservation and protection of traditional businesses and the development of these industries through innovative ideas. In particular, we have promoted campaigns targeted at local farmers with the aim of improving the production chain by providing technical assistance. In 2019, over 165,000 heads of livestock were vaccinated through the program.
- *Promotion of Local Employment:* We promote local employment to help reduce unemployment rates and increase income in the areas in which we operate, fostering upskilling and contributing to human and professional development. We continue to pursue our policy of engaging local companies. In 2019, local companies in the areas where we operate reported an annual sales turnover of approximately US\$50.0 million as a whole.
- *Infrastructure:* (i) maintenance and improvement of roads; (ii) supply and maintenance of drinking water systems; and (iii) support to hotel infrastructure.

Insurance

We maintain a comprehensive insurance program designed to address specific risks associated with our operations, in addition to covering the insured risks common to major mining companies. Our insurance program is provided through the local Peruvian insurance market and international reinsurance market and includes employers' liability, comprehensive third party general liability, comprehensive automobile liability, all risk property on a replacement basis, including transit risks, business interruption insurance and mining equipment. We believe our insurance programs and policy limits and deductibles are appropriate for the risks associated with our business and are in line with the insurance policies of similar mining companies that operate in Peru.

Legal Proceedings

We are involved in a number of legal and regulatory proceedings incidental to the normal conduct of our business. We believe that none of such legal and regulatory proceedings is likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations. In connection with these

proceedings, we believe that it is probable that we will have to pay US\$21.7 million and possible that we will have to pay US\$19.2 million.

In addition, we are involved in tax related legal proceedings affecting the broader Peruvian mining industry in connection with which we believe it is probable that we will have to pay up to US\$5.3 million and possible that we will have to pay up to US\$18.3 million.

The Peruvian tax authority (*Superintendencia Nacional de Administración Tributaria*, or “SUNAT”) audits us annually and as a result it sometimes claims for unpaid taxes. In some cases, we contest such claims before the SUNAT and, if unsuccessful, we may appeal its decision before an independent administrative court called the Tax Tribunal (Tribunal Fiscal). In addition, we may challenge decisions from the Tax Tribunal through a lawsuit (*acción contencioso administrativa*) before courts belonging to the judicial branch. Approximately 40% of our tax contingent liabilities are related to “holding certificates” and “rollback clauses”, which are common areas of dispute between mining companies and the SUNAT in Peru.

Cases Relating to Holding Certificates

According to the Peruvian Value Added Tax Law (*Ley del Impuesto General a las Ventas*), exports of goods are not subject to value added tax, while local sales and services, as well as imports, are levied at a current rate of 18%. Thus, this tax only levies sales of goods and rendering of services within Peru. Generally, we sell our concentrates pursuant to international purchase contracts that set forth advance payments, treatment and refining charges, and penalties. From 1998 to 2004, we, as other mining companies in Peru, issued “holding certificates” to secure the advanced payments that we received from our clients. These certificates did not affect or amend our obligation to deliver the concentrates outside of Peru according to the relevant purchase contracts, but they were only to secure the advanced payments with the concentrates deposited in a warehouse in Peru prior to their export.

According to SUNAT, such procedure qualifies as a local sale of goods and thus it should have been levied with value added tax at a rate of 18%. The Tax Tribunal has rendered decisions based on three different criteria in connection with this type of cases; one of which involved our subsidiary Compañía Minera Chungar and has been challenged by Chungar via a lawsuit (*accion contencioso administrativa*). The decision of the Tax Tribunal is pending as of the date of this listing memorandum.

Cases Relating to “Rollback” Clauses

Most concentrate purchase contracts include an option that allows the buyer to receive the concentrates under a different International Commercial Term (“INCOTERM”) as the one originally agreed, typically to change from CIF to FOB. The exercise of such option could result in an adjustment of the payment to the seller. According to SUNAT, the taxable amount should be the one set forth in the relevant purchase contract even in the event that the INCOTERM effectively used pursuant to the abovementioned option would have determined a lower payment than the one originally provided for. Both we and our subsidiary Compañía Minera Chungar have obtained favorable decisions in connection with “Rollback” clauses, and presently there is only one pending case before the Tax Tribunal. Based on the two completed cases, we also expect to obtain a favorable result in this proceeding, although we cannot offer any assurance that we will do so.

INDUSTRY OVERVIEW

Zinc Industry

Overview

Zinc is an internationally traded commodity. The London Metal Exchange is recognized as its principal trading market. Prices generally reflect the worldwide zinc supply and demand balance, but can also be influenced by the activities of speculative market participants such as investment funds and by fluctuations in currency exchange rates.

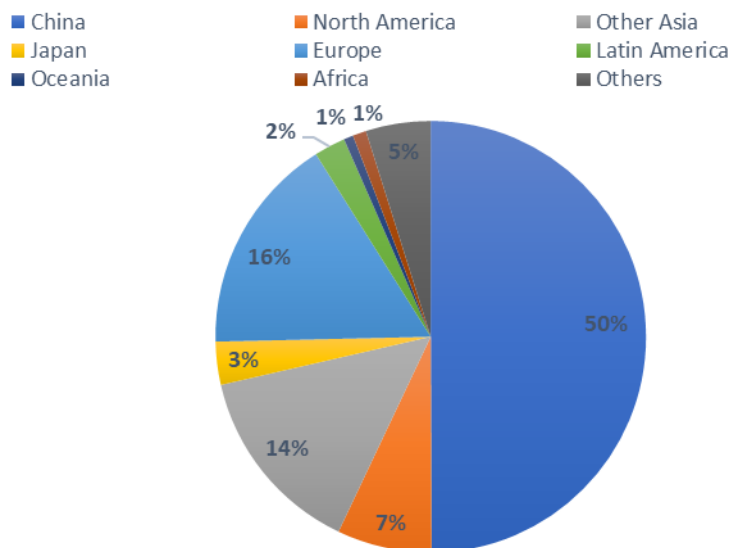
An important characteristic of zinc is its resistance to corrosion, which makes it a versatile metal. Additionally, its low melting point, fluidity, non-magnetic propensity, strength and alloying properties have increased its general demand across various applications. Its capacity as a surface treatment has proved crucial in protecting steel products against corrosion and improving their durability. The primary end-use applications of zinc include: construction (zinc is a major additive in galvanized steel), transportation and automobiles, white goods, industrial goods and equipment. Currently, there are limited low-cost substitutes for zinc in several of these applications.

Zinc Demand

Galvanizing is the predominant first-use for zinc, accounting for 59% of global zinc usage in all forms in 2019. The next largest use of zinc is die-casting, accounting for 13% of total demand, followed by usage in brass production at 11%. 9% of zinc is used in producing oxides and chemicals and a further 5% of zinc usage involves its conversion into rolled and extruded semi-manufactured products. In both absolute and percentage terms, galvanizing is forecast to be the fastest growing end-use, with principal applications in the construction and automotive industries.

The largest end-use sector for zinc is construction, which, together with publicly-funded infrastructure activity, accounted for 66% of global end-use zinc consumption in 2019. The second most important end-use sector is transport, which accounted for 21% of zinc consumption. The manufacturing of industrial goods and equipment represented 7% of consumption and the remainder was used in consumer products.

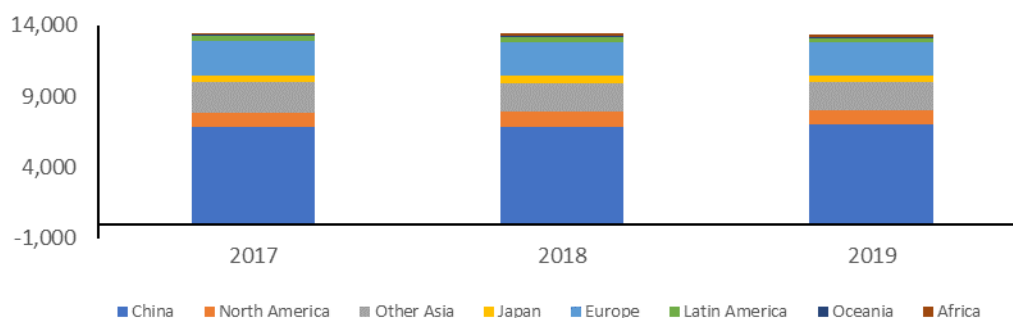
Slab Zinc Consumption Trends, 2019 Geographic Mix



Source: Wood Mackenzie

Asian, European and North American consumption together comprised approximately 93% of global slab zinc demand in 2019. Driven by China's strong growth, Asia has been the biggest zinc market in the world.

Approximated Global Slab Zinc Consumption (kt)



Source: Wood Mackenzie

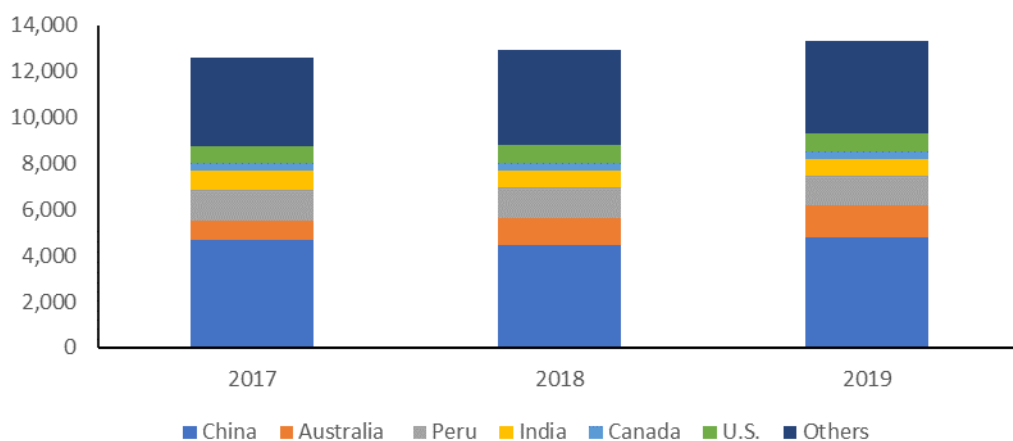
Zinc Supply

Zinc deposits typically occur in close association with other minerals, most commonly copper, lead, silver and gold. Most of global supply is produced by mines as well as a small recovery volume from scrap, mainly in the form of die-castings, brass and bronze (not including the simple re-melting of zinc, brass, and the like for reuse without further treatment).

According to Wood Mackenzie, based upon 2019 mine production, Peru was one of the top zinc producing countries in the world, with 10% of total production. Other of the world's largest producers were: China (36%), Australia (10%), the United States (6%), India (5%) and Canada (2%), which, together with Peru, accounted for 70% of total zinc mined worldwide in 2019. The rapid emergence of China as a mined and refined zinc producer has seen it become the world's premier primary producer of the metal.

From 2017 through 2019, refined zinc production has decreased at a CAGR of (0.1)%.

Approximated Global Zinc Mine Production (kt) Zinc in Zinc and Bulk Concentrate



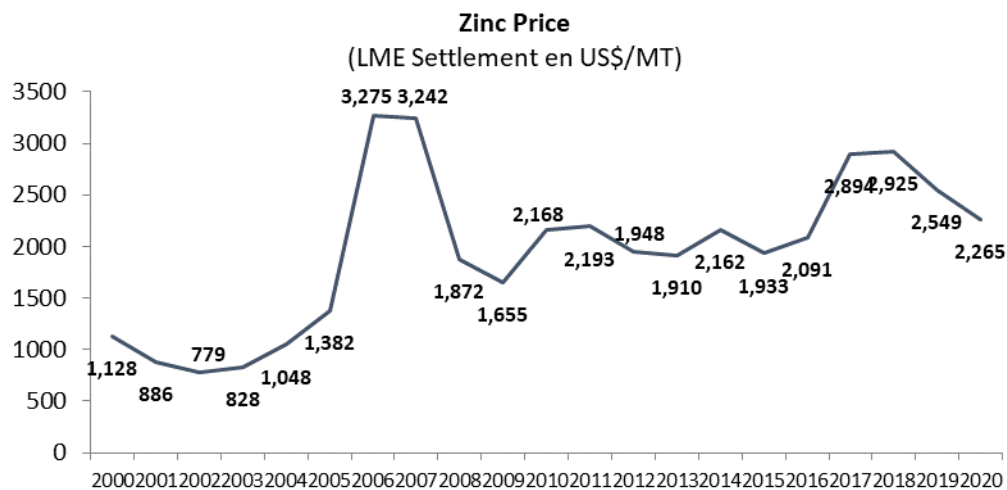
Source: Wood Mackenzie

According to Wood Mackenzie, between 2019 and 2040, 43 new mines are scheduled to enter production. Expansion or production creep at 95 existing mines and increased Chinese output are expected to provide additional supply. The most significant new projects are Gamsberg, Skorpion Mount Isa and New Century; among others. However, despite these new production sources, a large number of mine closures are expected to result in tight supply over the next decade. 194 existing producers are forecast to close because of reserve depletion by 2040, resulting in a loss in production of 7.4 million tonnes per year by 2040. 39 mines, which produced 2.3 million tonnes per year in 2019, are expected to produce only 2.0 million tonnes per year by 2040, which equates to a loss in output by attrition of 0.3 million tonnes per year.

Price History and Outlook

The following chart sets forth LME zinc prices between January 1, 2000 and December 30, 2020. The LME zinc price was US\$2,450.50 per tonne as of September 30, 2020.

Historical Zinc Prices (US\$/tonne)



Source: Bloomberg

According to Wood Mackenzie, after two years of annual surpluses, 2020 is the first year of a market in deficit, due mostly to COVID-19 pandemic-related production disruptions. Overall implied stocks are forecast to be the equivalent of 42 days of consumption at the start of the year trending to 35 stock days by year end. Wood Mackenzie forecasts a more significant deficit of 0.31 MT in 2021.

Silver Industry

Overview

Silver is one of the eight precious, or noble, metals; the others are gold and the six platinum-group metals. Silver occurs naturally in its solid metallic state and is commonly associated with deposits of zinc, copper, lead and gold.

Silver is distinct from other precious metals in that it is both an industrial and a monetary asset. Silver's value is driven by two main factors: first, silver has a number of distinctive physical and chemical properties that make it an essential and hard-to-substitute component in several industrial applications, and second, in times of economic uncertainty, silver is viewed as an attractive hedge against inflation and a decrease in value of, among others, the U.S. dollar.

Silver Demand

Silver has solid supply and demand fundamentals, with significant demand coming from diverse sectors. Industrial applications, consumer use and investment are the three main demand drivers. According to J.P. Morgan,

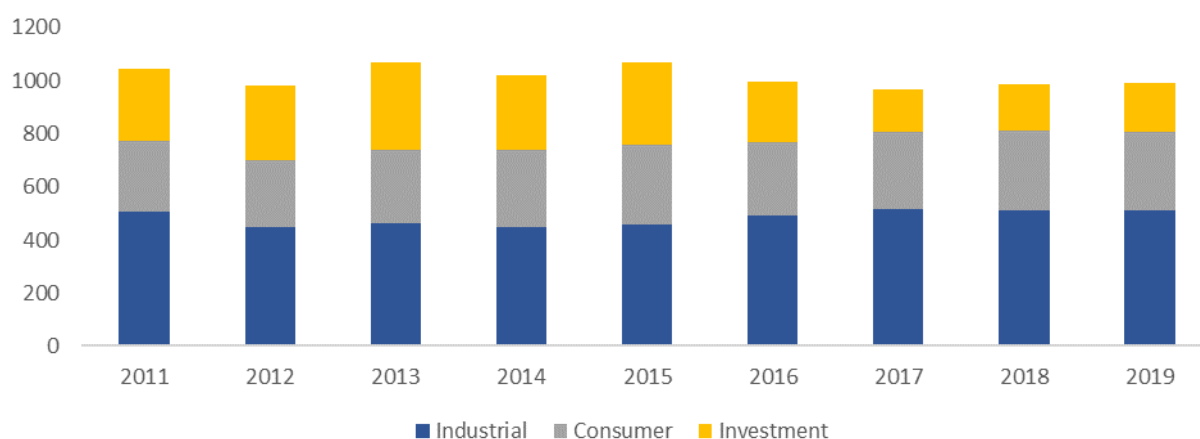
in 2019, industrial, consumer and photography represented 63%, 33% and 4% of silver industrial demand, respectively.

According to J.P. Morgan, total global demand for industrial and consumer end-uses, which is in the form of manufactured end-products, decreased by 1.1% in 2019, to 806.2 million ounces. This decrease was led by the consumer category, which, according to J.P. Morgan, declined by 3% to 262.3 million ounces in 2019.

China is the largest global silver marketplace, fueling significant industrial and consumer demand. China's rapid population and income growth, surging demand for consumer electronics and promising housing market are driving its silver demand. According to World Silver Survey, industrial demand for silver in China has risen from 80.7 million ounces in 2010 to 121.3 million ounces in 2019, an increase of 50%.

The graph below denotes global silver demand from 2011 to 2019:

Approximated Global Silver Demand (MM oz)



Source: GFMS, World Survey 2020

Industrial Demand

Traditional industrial applications of silver include batteries, bearings, brazing and soldering, catalysts and electronics. Silver's electrical and thermal conductive properties make it ideal for multiple high performance electronics and high voltage circuits, connectors and other electrical components. Silver's increased use in emerging applications, as opposed to otherwise traditional industrial uses, is expected to continue to augment industrial demand. Emerging applications include utilizing silver's reflectivity as a component in solar cells to produce "green" electricity, utilizing silver's antimicrobial properties in medical applications and in the prevention of algae build-up in water purification systems.

According to J.P. Morgan, industrial demand for silver rose by 14% between 2014 and 2019 to 510.9 million ounces.

Consumer Demand

Jewelry, silverware and coin minting are the main consumer uses of silver. The fabrication of these products relies on silver's lustre, resistance to tarnishing and malleability. According to J.P. Morgan, this sector accounted for 33% of total demand for silver in 2019.

In 2019, photographic uses accounted for 4% of total silver demand, according to JPM. However, photographic off-take has been on a steady decline since 2001, driven by the move from silver halide to digital technology, especially in the area of consumer film.

According to the World Silver Survey, between 2018 and 2019, consumer demand for silver declined by 3%, to 294.8 million ounces. A major source of the decrease in consumer demand for silver in 2019 was the decrease in demand for silverware.

Investment Demand

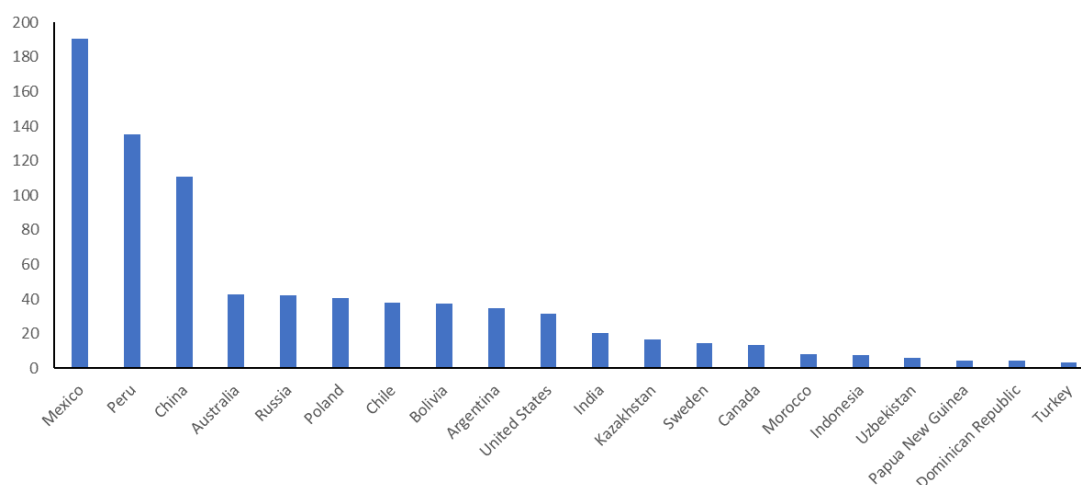
Investment demand for silver has decreased significantly from 2014 to 2019, with a CAGR of (7.5)%. According to J.P. Morgan, net investment in silver declined to 197.1 million ounces in 2019, down 2.6% from 2018 levels.

Silver Supply

Silver supply derives from two principal sources: mine production and scrap supply. According to J.P. Morgan, mine production in 2019 comprised 83% of total silver supply, while scrap silver constituted 17% of total silver supply. According to J.P. Morgan, silver mine production decreased 2% in 2019.

According to World Silver Survey, Peru was the second largest silver mining country in 2019 (135.4 million ounces), surpassed only by Mexico (190.3 million ounces). China (110.7 million ounces), Australia (42.9 million ounces) and Russia (42.2 million ounces) followed. The graph below illustrates the world's leading silver producing countries.

Top 20 Silver Producing Countries, 2019 (MM oz)



Source: GFMS, World Survey 2019

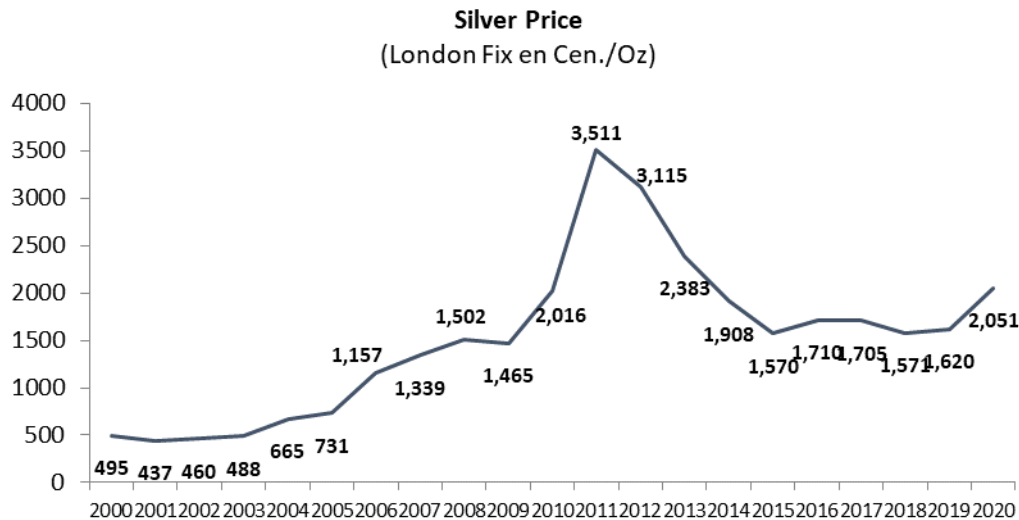
Price History and Outlook

The price of silver increased 314% over the last 20 years, proving to be relatively volatile in that timeframe. The price of silver averaged approximately US\$15.19 per ounce from 2000 through the end of 2020.

The silver market expanded significantly in both volume and value in 2019, as prices increased over 38.53% between January 1, 2019 and December 31, 2019. Rising silver prices have boosted investor interest in the metal and led to a significant increase in silver's investor base. Trading volumes at futures and options exchanges increased by 0.7% from 2018 levels.

The following chart sets forth silver prices between January 1, 2009 and December 31, 2020. The price of silver was US\$25.89 per ounce as of September 30, 2020.

Historical Silver Prices (US\$/oz)



Source: Bloomberg

It is expected that in the short- to mid-term the economic backdrop for investment in silver will remain supportive as monetary policy is unlikely to significantly tighten due to ongoing economic, inflation and sovereign debt concerns. This economic climate is expected to encourage investment demand for silver.

Lead Industry

Overview

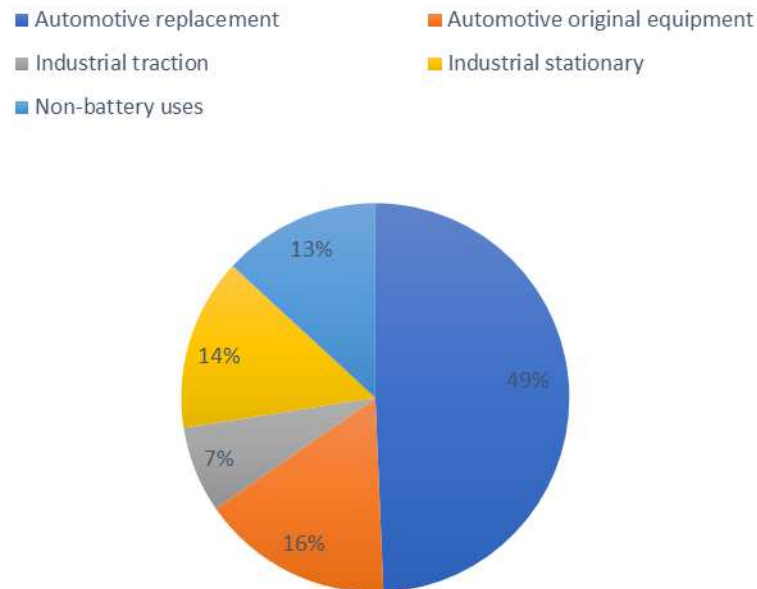
Lead has an estimated abundance of almost one-sixth that of zinc, with which it is commonly geologically associated. Lead is not found in nature in its native form, but is commonly found in sulfide, oxide and silicate forms.

The battery sector is the single largest consumer of lead, accounting for approximately 87% of lead demand. It can be subdivided into two groups, including:

- SLI (Starting-Lighting-Ignition) batteries currently account for over half of all lead demand. These are mainly used in cars and light vehicles.
- Industrial batteries (both stationary and traction) currently consume around one quarter of all lead produced. Stationary batteries are principally used in back-up power supply systems for electrical equipment, and are also used extensively in telecommunications networks. Traction batteries are used for motive power in certain equipment such as forklift trucks and motorized wheelchairs.

The remaining 13% of lead consumed is for non-battery applications. Other than batteries, the chemical industry accounts for approximately 8% of lead consumption, in the form of lead-based pigments and other compounds. Lead has several other small uses, which have declined over time as the battery sector's market share has increased, and all remaining applications for lead are under close scrutiny due to environmental concerns. What may prevent any rapid decline in many uses, however, is the lack of suitable alternatives to lead with, in some cases, the only alternatives being of even greater toxicity.

Approximated Global End-Use Lead Consumption, 2019



Source: Wood Mackenzie

Demand

Wood Mackenzie forecasts global lead demand to grow by 0.7% per year from 2018 to 2023, followed by 2.0% per year for the balance of the forecast period to 2040. Growth will be highest in the developing economies of Asia and Latin America, with China retaining its spot as the world's number one consumer. Its share of global lead demand is forecast to remain at about 44% from 2019 to 2040.

From 2019 through 2040, refined lead consumption is expected to increase at a CAGR of 1.7%.

Supply

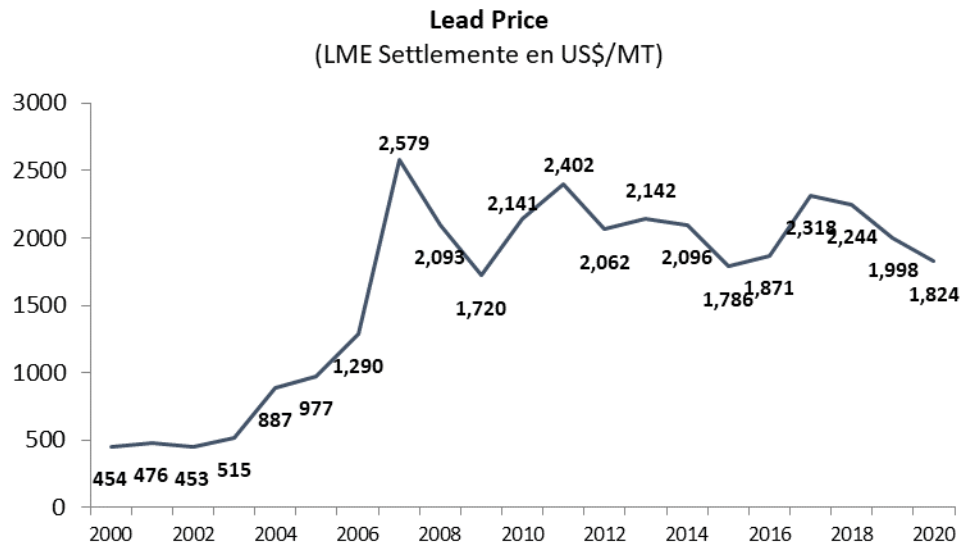
Lead mine production capability from current producers and committed projects is forecast to decline by an average of 1.9% per year over the period 2019-2040, from 4.7 million tonnes to 3.1 million tonnes. Additional output will derive from extended mine lifespans and new projects. In the medium to long term, new mine production will drive from re-activated operations, new ore discoveries at currently producing mines and the development of greenfield projects.

Price History and Outlook

Global refined production capability is forecast to increase by 1.1% per year between 2019-2040. This equates to an increase in tonnage of 1.2 million tonnes. China is expected to continue to drive growth, at 1.5% per year (1.1 million tonnes), driven by new operations and capacity expansions at existing plants.

The following chart sets forth LME lead prices between January 1, 2000 and December 31, 2020. The LME lead price was US\$1,881.36 per tonne as of September 30, 2020.

Historical Lead Prices (US\$/tonne)



Copper Industry

Overview

Copper is an internationally traded commodity and its price is largely determined on the major metals exchanges. Similar to zinc prices, copper prices generally reflect the worldwide copper supply and demand balance, but can also be influenced by the activities of speculative market participants and by movements in currency exchange rates.

Copper is a ductile, corrosion resistant and malleable metal that is an excellent conductor of heat and electricity, and has significant structural capabilities. The primary applications for copper include: electronics applications, electrical conduit, construction and transportation industries, industrial equipment and consumer products. While other materials compete with copper for various uses, substitution is modest because of copper's unique characteristics.

Copper Demand

The global economic downturn and the trade tension between the United States and China led to underperformance in global copper consumption growth during 2019. Refined copper demand increased by 0.1%, to 23 million tonnes. Lower than expected demand was identified across most copper consuming regions and countries, and in particular in China, Europe, developed Asia, and India.

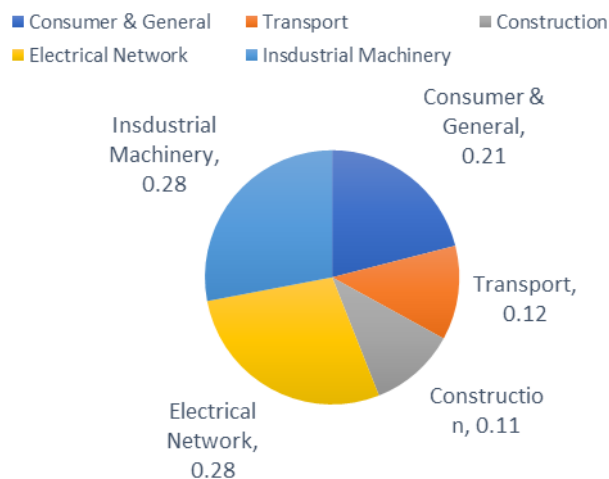
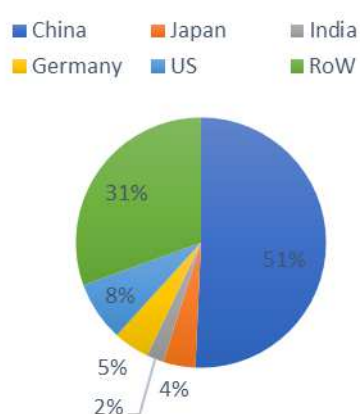
The world's consumption of copper has increased significantly in the past five years, as large developing countries enter the global market. Population and industrial growth will continue to be the primary driver of demand for copper. The rate of industrialization, especially in China and India, has created a high level of copper demand over the past decade, while metal use in many developing countries remains a fraction of the intensity observed in developed nations.

Copper consumption is largely associated with industrial production and tends to follow economic cycles. Demand for copper products tends to increase during expansion phases, which often leads to price increases.

Copper Consumption Trends (End Use and Geographic Mix)⁽¹⁾

2018 Global Copper Consumption by End Use (kt)
Total = 23,533

2019 Global Total Copper Consumption (kt)
Total = 23,671



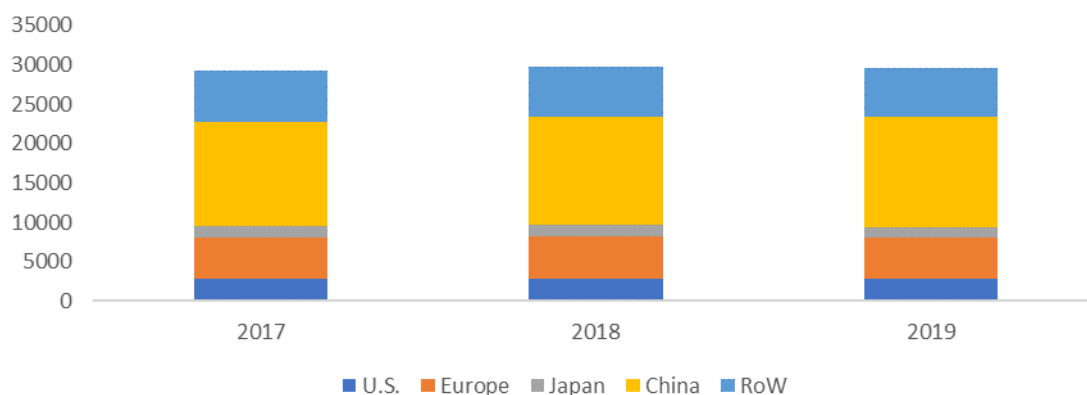
Source: Wood Mackenzie

(1) Includes direct use of scrap.

Asian refined copper consumption, led by China, has been particularly strong, increasing by a CAGR of 5%, compared to a global rate of 2% since 2000.

Approximated Global Refined Copper Consumption (kt)⁽¹⁾

2017–2019 CAGR: 0.9%



Source: Wood Mackenzie

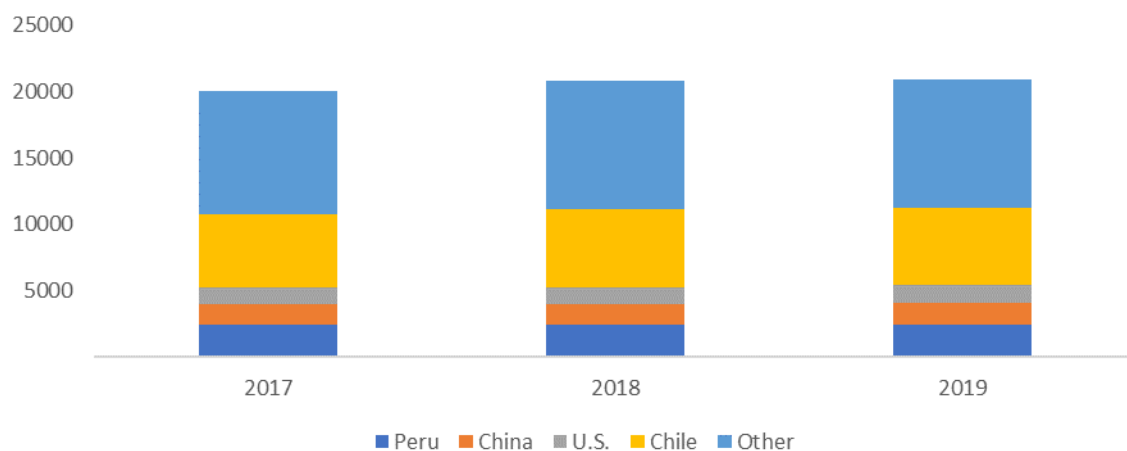
(1) Refined consumption does not include direct use of scrap.

Copper Supply

While the earth's crust contains an almost inexhaustible supply of copper, the majority of it cannot be extracted economically utilizing existing technologies. Worldwide copper supply is driven by production rates at copper mines around the globe, as well as a small amount of scrap metal that is available for reuse. According to Wood Mackenzie, based upon total copper mined as of 2019, the world's largest producers were Chile (28%), Peru (12%), China (8%) and the United States (6%).

From 2000 through 2019, refined copper production has grown at a CAGR of 2.6%.

Approximated Global Copper Mine Production Copper in Concentrate and Leach Output (kt)



Source: Wood Mackenzie

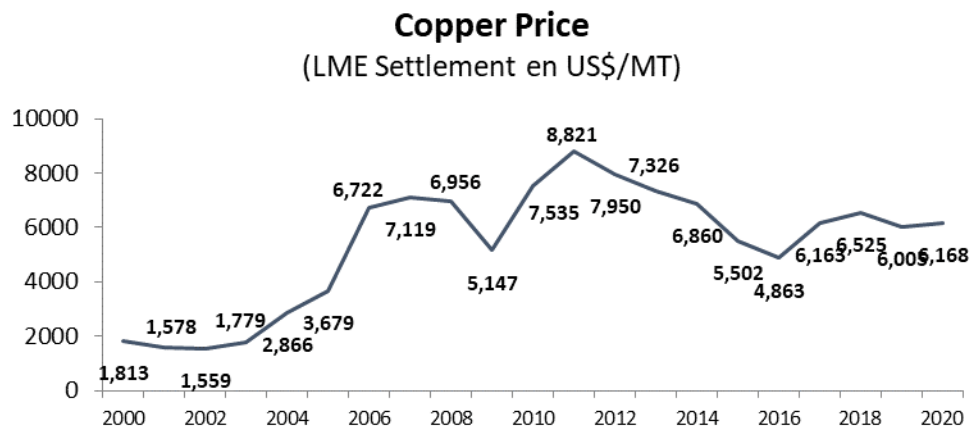
A number of copper discoveries have been made in the past 20 years, with continued development underway.

Markets and Outlook

While in the past decade copper prices have displayed considerable volatility driven by economic cycles, a recovery in demand combined with supply constraints, described below, has led to an increase in 2020.

The following chart sets forth historical spot prices for copper. The LME copper price was US\$7,741.50 per tonne as of September 30, 2020.

Historical Copper Prices US\$/lb



Source: Bloomberg

According to Wood Mackenzie, demand in China remains strong, given the buoyancy of some key end use sectors, while the Indian market is set for strong medium-term growth. Wood Mackenzie forecasts that between 2019 and 2024, demand will increase by just under 0.5% per year as increased urbanization and an expanding middle class are expected to boost consumption. Moreover, despite moving back into balance in 2019, the market will remain fundamentally tight, with stock days set to average 76, compared to 64 this year and as such, prices are expected to remain well supported from a fundamental perspective.

At the same time, while a number of major copper projects are set to start producing in coming years, supply growth has been affected by declining ore grades, labor disputes, slower than anticipated ramp-ups resulting from long equipment lead times, weather related delays, water/power supply constraints and other technical issues. Several new copper projects have not met their original timetables due to cost over runs, permit complications and difficulty securing appropriate financing in the context of escalating capital expenditure requirements.

These trends maintained an upward pressure on prices in 2019 and are expected to sustain prices in the short to medium term.

REGULATORY FRAMEWORK

Mining and Processing Concessions

The General Mining Law (*Texto Único Ordenado de la Ley General de Minería*) approved by Supreme Decree No. 014-92-EM, published in the Peruvian Official Gazette, *El Peruano*, on June 3, 1992, is the primary law governing both metallic and non-metallic mining activities in Peru and is supplemented by implementing guidelines and policies regarding mining and the processing of minerals enacted by the Ministry of Energy and Mines. Under the General Mining Law, mining activities (except storage, reconnaissance, prospecting and trade) are carried out exclusively through various forms of concessions. A concession provides its titleholder with the exclusive right to undertake a specific mining activity within a determined area.

There are four types of concessions:

- Mining concession: grants the right to explore and exploit mineral resources (either metallic or non-metallic).
- Processing concession: grants the right to extract and concentrate minerals and, to purify, fund and refine metals.
- General works concession: grants the right to give auxiliary services to two or more mining concessions.
- Mining transportation concession: grants the right to install and operate a massive transportation system of mineral products provided the transportation is not conventional.

Mining concessions are granted by the Geological, Mining and Metallurgical Institute of the Ministry of Energy and Mines (*Instituto Geológico Minero y Metalúrgico*, or “INGEMMET”), while the other types of concessions are granted by the Directorate General for Mining of the Ministry of Energy and Mines. Any act, transfer, termination or agreement related to these concessions must be registered with the Mining Rights Registry, which is part of the National Public Registry System, to be effective against the Peruvian government and third parties.

In Peru, as in many other countries, a mining concession is a different and separate property from the surface land where it is located. Consequently, holding a mining concession does not grant the titleholder any right to the surface land above the mine. To initiate mining activities, the holder of a mining concession must also have a title to the surface land.

Holders of concessions or mining claims must comply with several obligations, including the payment of an annual concession fee (*derecho de vigencia*) of US\$3.00 per applicable hectare in the case of large and medium scale mining. The annual concession fee is due and payable on or prior to June 30 of each year. Failure to pay the annual concession fee for two consecutive years will result in the termination of the mining concession.

Mining concessions are required to achieve the minimum production level in accordance with the following rules:

- The minimum annual production levels equivalent to 1 Peruvian tax unit (S/ 4,400.00 for 2021, approximately US\$1,216) per year per hectare, in the case of metallic concessions, and 10% of 1 Peruvian tax unit (approximately US\$1,216) per year per hectare, in the case of non-metallic mining concessions.
- The minimum annual production level is to be achieved no later than the end of the tenth year from the year of grant.
- If the minimum annual production level is not achieved within that period, an annual penalty shall be paid. The following rules for calculating the amount of the penalty apply:
 - If the minimum annual production level is not achieved until the end of the tenth year from the year of grant, a mining penalty equivalent to 2% of the corresponding annual production level per year per hectare shall be paid.

- If the minimum annual production level is not achieved until the end of the fifteenth year from the year of grant, a mining penalty equivalent to 5% of the corresponding annual production level per year per hectare shall be paid.
- If the minimum annual production level is not achieved until the end of the twentieth year from the year of grant, a mining penalty equivalent to 10% of the corresponding annual production level per year per hectare shall be paid.
- If the minimum annual production level is not achieved by the end of the thirtieth year from the year of grant, the mining concession will be cancelled. In the case of mining concessions granted before 2008, the 30th year term began running on January 1, 2009.

The annual penalty must be paid prior to June 30 of each year. Failure to pay the annual penalty for two consecutive years results in the termination of the mining concession.

To comply with the minimum production level, the holders of mining concessions can group concessions into economic management units (*Unidades Económicas Administrativas*). In order to form an economic management unit the mining concessions must be located within a radius ranging from 5, 10 and 20 kilometers depending on the type of mineral exploited. The formation of an economic management unit requires an approval resolution issued by INGEMMET.

Finally, titleholders of mining concessions that are in operation or production phase, must file every year a Consolidated Annual Statement (*Declaración Anual Consolidada*) with the General Directorate of Mining of the Ministry of Energy and Mines. The Consolidated Annual Statement that contains information in connection with investments is required on an annual basis (before April 30 of each year) and the Consolidated Annual Statement that contains information in connection with production is required on an annual basis (before June 30 of each year). As of the date of this listing memorandum, we primarily owned metallic mining concessions with respect to zinc, silver, lead and copper. Substantially all of our concessions were granted prior to 2008. Our mining rights and concessions are in full force and effect under applicable Peruvian laws. We believe that we are in compliance in all material respects with the terms and requirements applicable to our mining rights and concessions.

Environmental Matters

In 2005, Peru enacted the General Environmental Law (Law No. 28611), which establishes the main environmental guidelines and principles applicable in Peru. Pursuant to the General Environmental Law, the Ministry of Environment (“MINAM”) issued national environmental regulations, which have gradually replaced prior guidelines governing governmental agencies environmental competencies. All the evaluations of environmental studies for exploration and all environmental aspects of mining concessions are regulated by the General Directorate of Environmental Mining Affairs of the Ministry of Energy and Mines (*Dirección de Asuntos Ambientales Mineros* or “DGAAM”). The agency in charge of Environmental Certification (*Servicio Nacional de Certificación Ambiental* or “SENACE”) evaluates the exploitation and beneficiation environmental studies. In addition, the Environmental Supervisory and Enforcement Agency (*Organismo de Evaluación y Supervisión Ambiental* or “OEFA”) is responsible for supervising the environmental implications of mining concessions. If the holder of a mining concession violates any obligation related to environmental matters, OEFA has the capacity to sanction such violation with fines of up to 30,000 Tax Units (approximately US\$36,484,245.44). An entity cannot be fined more than 10% of the gross annual income it received in the year prior to the imposition of the fine.

According to the Environmental Regulations for Mining Exploration Activities approved by Supreme Decree 042-2017-EM, exploration activities fall into two categories: Category I and Category II. Category I exploration activities are those involving no more than 40 drilling platforms or affecting a surrounding area measuring less than 10 hectares in size, while Category II exploration activities are those involving between 40 and 700 drilling platforms and affecting an area measuring greater than 10 hectares. For Category I exploration activities, an Environmental Impact Statement (*Declaración de Impacto Ambiental*) (“DIA”) is required. For Category II exploration activities, a EIASd that incorporates technical, environmental and social matters is required. In addition, the new regulation requires an Environmental Technical Report (*Ficha Técnica Ambiental*) (“FTA”), which is a complementary environmental assessment for exploration activities involving a maximum of twenty platforms that do not have significant negative impacts. Exploration activities must start within a maximum of five years following the date that the DIA or EIASd is approved by the DGAAM. The DIA, the EIASd and the FTA, as

applicable, must be approved before exploration activities begin. Any commitments assumed by mining companies in a DIA, EIASd or FTA are mandatory and, if they are not fulfilled, OEFA has the authority to fine non-compliant mining companies. The regulation also provides that the holder of mining concessions will perform specified closure and post closure activities during exploration programs. In addition, fines can be imposed if exploration programs begin before the DIA, the EIASd and the FTA are approved, and the approval of environmental assessments for exploration activities performed within protected natural areas requires the approval of the competent authority.

Holders of mining concessions that have completed the exploration stage, or envisage mining development and exploitation activities (including the processing of minerals), are required to prepare and obtain the approval of an EIAd from SENACE, which involves a process of public hearings in the locations where the project will be developed.

A modification to the environmental assessment will be required prior to conducting mining activities that may generate new moderate or negative environmental impacts.

In addition, according to the Public Participation Regulations in Mining Activities Law approved by Supreme Decree No. 028-2008-EM, for purpose of preparing the EIA holders of mining concessions must gather and analyze the social, environmental and economic concerns of the population that lives or works in the areas surrounding the project prior to the authorization of any activity.

Holders of mining concessions must undertake steps for public participation prior to and during the preparation of the DIA, EIASd and EIAd subject to evaluation as well as during the process of evaluation by DGAAM (DIA and EIASd) or SENACE (EIAd). In this process, holders of a mining project are required to submit a public participation plan to DGAAM, detailing the public participation instruments to be executed.

Supreme Decree 054-2013-PCM was passed in 2014 to promote investment projects. It allows companies to submit a supporting technical report (*Informe Técnico Sustentatorio*) ("ITS"), to modify ancillary components, capacity expansions, or introduce technological improvements in exploration and exploitation activities. SENACE (EIAd) and DGAAM (DIA and EIASd) will then issue a compliance waiver within no more than 15 working days from the date of submission. This should facilitate the approval of amendments to the environmental assessments.

According to the Mining Closure Law (Law No. 28090) holders of mining concessions who wish to initiate mining exploitation activities, as well as those in operation, are required to prepare and submit a mining closure plan one year after their EIA has been approved. The mining closure plan must contain a description of the steps that will be taken to restore the areas and facilities of each mining unit they are going to operate. Holders of mining concessions are required to secure completion of the restorative measures by means of the following guarantees: (i) banking guarantee or credit insurance, (ii) cash guarantees; (iii) trusts, or (iv) those indicated in the Peruvian Civil Code.

Supreme Decree No. 042-2017-EM also requires mining companies that perform exploration activities to conduct certain closing activities in accordance with the approved environmental assessment, subject to deferral under certain circumstances, and contemplates a Closure Plan to be submitted by the mining company following the terms and conditions of Supreme Decree N° 033-2005-EM. Supreme Decree N° 036-2016-EM modified articles 12 and 17 and included articles 46-A y 66-A of the Supreme Decree N° 033-2005-EM.

Law No. 28271, Law that Regulates the Environmental Liabilities of Mining Activities (*Ley que Regula los Pasivos Ambientales de la Actividad Minera*), came into force on July 7, 2004 and serves to regulate the identification of environmental liabilities and financial responsibility for remediation in mining activities, in each case to mitigate any negative impact mining may have with respect to the health of the population, environment and property. Pursuant to Law No. 28271, as amended by Law No. 28526 and Legislative Decree No. 1042, MEM's technical branch will identify environmental liabilities, mining companies responsible for abandoned mining facilities, mining works and residue deposits that may be linked to such environmental liabilities and holders of inactive mining concessions with mining liabilities. Holders of inactive mining concessions with environmental mining liabilities will be required to submit a Closure Plan and enter into environmental remediation agreements with MEM to perform any studies and work necessary to control and mitigate the risk and effects of any contamination. Regulations under Law No. 28271, Regulations of Environmental Liabilities of Mining Activities (*Reglamento de Pasivos Ambientales de la Actividad Minera*), were approved by Supreme Decree No. 059-2005-EM and then modified by Supreme Decree No. 003-2009-EM.

Finally, the Environmental Baseline Elaboration Guidelines (*Guía para la elaboración de la Línea Base en el marco del Sistema Nacional de Evaluación del Impacto Ambiental – SEIA*) and Identification and Characterization of Environmental Impacts Guidelines (*Guía para la Identificación y Caracterización de Impactos*) were approved by Ministerial Resolution N0. 036-2018-MINAM in 2018. We anticipate additional laws and regulations relating to environmental matters will be enacted over time. The development of more stringent environmental regulations in Peru could impose additional constraints and additional costs on our operations that would require us to make significant additional capital expenditures in the future.

Peasant Communities and Indigenous People

Peru has ratified the ILO Convention No.169 on Indigenous and Tribal People in Independent Countries through the Legislative Decree No. 26253. This convention provides indigenous and tribal people with a right of consultation. As a result, on September 7, 2011, Law No. 29785 on the Prior Consultation Right of the Indigenous Population was published. This law, effective as from December 6, 2011, establishes a prior consultation procedure (*procedimiento de consulta previa*) in favor of an indigenous population whose collective rights may be directly affected by a legislative or an administrative measure. Regulations under Law No. 29785 were approved by Supreme Decree No. 001-2012-MC, which became effective on April 2, 2012. These regulations specify the form and circumstances of the required consultation and the manner in which agreements will be formalized, and provide for a consultation process that lasts no more than 120 calendar days. In 2019, Ministerial Resolution No. 304-2019-MINEM/DM was issued, establishing the administrative procedures from the Mining Sector that require prior consultation - in case those procedures affect indigenous communities - which are: (i) processing concession; (ii) authorization to initiate or re-initiate exploration, development or exploitation activities; (iii) mineral transport; and (iv) mining labor.

Consultation procedures are carried out by the Mining General Directorate (DGM) and the General Office for Social Management (*Oficina General de Gestión Social* - OGGS) of the Ministry of Energy and Mines prior to the granting of the relevant authorization. Indigenous populations do not have the right to veto or stop a mining project. Upon completion of this prior consultation procedure, the Peruvian Government can discretionarily approve or reject the applicable legislative or administrative measures.

In addition, the sale, lease or other act of disposal of surface land owned by local indigenous communities is subject to the approval of the assembly composed of the members of such communities, according to the following rules:

- For local indigenous communities located on the coast approval of not less than 50% of members of the indigenous community attending the assembly is required.
- For local indigenous communities located in the highlands and the Amazon region approval of at least 2/3 of all members of the indigenous community attending the assembly is required.

Permits and Licenses

Explosives

The use of explosives for civil use is regulated by Law No. 30299. Under such law, mining companies are required to obtain the following permits to operate and store explosives from the National Superintendence of Security Services, Guns, Munitions and Explosives (*Superintendencia Nacional de Control de Servicios de Seguridad, Armas, Municiones y Explosivos de Uso Civil* or “SUCAMEC”):

- Authorization for the Acquisition and Use of Explosives.
- Authorization for the Storage of Explosives
- Manipulation License of Explosives for each individual that intends to handle explosives.
- Explosive’s Warehouse Operation License.

Water, wastewaters and emissions

To use water resources in a mining project, it is necessary to obtain a water right granted by the Water Management Authority (*Autoridad Nacional del Agua* or “ANA”) prior to the use of underground or fresh water sources. If the proposed activities will generate domestic or industrial wastewaters discharged into natural water sources or soil, it is necessary to obtain an authorization granted by the ANA, with the favorable opinion of the General Bureau of Environmental Health (*Dirección General de Salud Ambiental* or “DIGESA”).

In 1996, MEM also issued regulations that establish maximum permissible levels (“LMPs”) of (i) liquid effluents emissions and (ii) elements and compounds present in gaseous emissions resulting from mining activities. Mines and processing plants that were in operation before May 1993 were required to comply with LMPs within 10 years and in the meantime, operators were required to prepare Environmental Adaptation and Management Programs, or PAMAs, that set forth plans to ensure compliance with more stringent LMPs. The first General Water Law was enacted in 1969. In 2008 and 2010, MINAM enacted new water quality standards and new LMPs for liquid effluents, and, in 2009, all Peruvian mining companies were required to submit updated environmental management plans that complied with water quality standards and new LMPs for liquid effluents to MEM. By the end of 2015, Supreme Decree No. 015-2015 - MINAM was enacted, modifying water quality standards and establishing supplementary provisions related to compliance. In 2017, Environmental Quality Standards (*Estándares de Calidad Ambiental*) (“ECAs”) for water were modified by Supreme Decree No. 004-2017-MINAM. Permissible maximum limits approved in 2010 are still valid.

Solid waste and soil pollution

Solid waste generated as a consequence of a mining project must be disposed of in specialized landfills. The transportation of solid waste outside the limits of the industrial complex is required to be done exclusively through specialized companies registered with the MINAM.

Regarding soil quality, on March 26, 2013, Supreme Decree No. 002-2013-MINAM became effective. It approved the ECAs for soils, which are applicable to any project or activity that may generate an environmental impact. Subsequently, on March 25, 2014, supplementary provisions for the application of the standards were approved through Supreme Decree No. 002-2014-MINAM. Projects operating at the time those regulations came into force were required to submit the first phase of soil characterization within twelve months of the passage of the decree. We and our subsidiaries submitted this information within the required time.

In 2017, new ECAs for soils were approved by Supreme Decree No. 011-2017-MINAM, replacing the ECAs approved by Supreme Decree No. 002-2013-MINAM. The new ECAs are applicable to new environmental assessments that are required to carry out future mining activity in accordance with the mining regulations. With respect to the environmental assessments that were approved prior to the approval of the new ECAs, Supreme Decree No. 002-2013-MINAM will remain applicable and the new ECAs will only be enforced when the approved environmental assessments need to be modified or updated. In 2017 Supreme Decree No. 012-2017-MINAM replaced Supreme Decree No. 002-2014-MINAM, approving new supplementary provisions for application of the new ECAs. We and our subsidiaries have taken into consideration all new environmental regulations when executing our mining activities.

In addition, in December 2017, a new regulation for Solid Waste Management was approved by Supreme Decree No. 014-2017-MINAM which brought into force the new Law for Integral Management of Solid Waste, approved by Legislative Decree No. 1278 in December 2016. This resulted in new regulations for all extractive productions and services in Peru, including mining, which prioritize the material and energy recovery of solid waste through different methods, including recycling, reuse and co-generation.

Chemical feedstock

The commercialization, transportation and use of controlled chemical feedstock (*Insumos Químicos y Bienes Fiscalizados* or “IQBF”) is restricted, because of their potential, direct or indirect, use for the production of illegal drugs and their use in illegal mining activities. Companies that conduct activities that involve IQBF must register before the SUNAT any IQBF activities that they plan to carry out (*Registro para el Control de los Bienes Fiscalizados*). Companies such as ours are also required to track all activities performed in connection with IQBF daily (*Registro de Operaciones*).

Fuel storage

Any company that purchases fuels for its own activities and has facilities to receive and store fuel with a minimum capacity of 1 meter cubed (264.170 gallons) is required to (i) obtain from the Mining and Energy Investment Supervision Body (*Organismo Supervisor de la Inversión en Energía y Minería* - OSINERGMIN) prior permission to build and operate said installations, and (ii) be registered with the Registry of Direct Fuel Consumers, in order to obtain the SCOP Code (*Código del Sistema de Control de Órdenes de Pedido*) necessary to purchase fuel.

Cultural heritage protection

Exploration in Prehispanic Archeological Sites (referred to in Supreme Decree No 004-2000-ED) is forbidden unless expressly authorized by the Ministry of Culture. If the design and development of mining projects involve the removal of topsoil, companies need to obtain from the Ministry of Culture a Certificate of Non-Existence of Archaeological Ruins (*Certificado de Inexistencia de Restos Arqueológicos* or “CIRA”) with respect to the area that is going to be used in the construction process or in developing the relevant mining project. The CIRA will either certify that on the surface of the evaluated area no archaeological sites or features were discovered, or will identify their exact location and extent in order to implement precautionary measures. The CIRA is valid for an unlimited period, but will become void should any archaeological artifacts be accidentally discovered during the construction works or due to any natural cause. In those cases, the company must stop the construction work immediately and notify the Ministry of Culture. Failure to stop the construction work will generate applicable civil and criminal liabilities. Under certain exceptional circumstances, Peruvian legislation allows the removal of archaeological sites or features when the area is required for the development of projects that are of national interest.

Mining Royalties

Since October 1, 2011, holders of mining concessions have been required to pay a mining royalty (*regalía minera*) to the Peruvian government for the exploitation of metallic and non-metallic resources in accordance with Law No. 28258, as amended by Law No. 29788. The amount of the royalty is now payable on a quarterly basis and is equal to the greater of (i) an amount determined in accordance with a statutory scale of tax rates based on a company operating profit margin and applied to the company's operating profit, and (ii) 1% of a company's net sales, in each case during the applicable quarter. The mining royalty rate applied to the company's profit is based on its operating profit margin according to the following statutory scale of rates:

Operating profit margin			
Scale No.	Lower limit	Higher limit	Rate
1	0%	10%	1.00%
2	10%	15%	1.75%
3	15%	20%	2.50%
4	20%	25%	3.25%
5	25%	30%	4.00%
6	30%	35%	4.75%
7	35%	40%	5.50%
8	40%	45%	6.25%
9	45%	50%	7.00%
10	50%	55%	7.75%
11	55%	60%	8.50%
12	60%	65%	9.25%
13	65%	70%	10.00%
14	70%	75%	10.75%
15	75%	80%	11.50%
16	More than 80%		12.00%

Mining royalty payments will be deductible as expense for income tax purposes in the fiscal year in which such payments are made.

Special Mining Tax

Effective October 1, 2011, Law No. 29789, published on September 28, 2011, requires that holders of mining concessions pay a special mining tax (*Impuesto Especial a la Minería*) to the Peruvian government for the sale of metallic resources, regardless of the state in which they are sold. The Special Mining Tax is payable on a quarterly basis and is calculated on the basis of the operating profit derived exclusively from the sale of metallic resources. The applicable Special Mining Tax rate (which is between 2% and 8.40%) is determined by the quarterly operating profit margin of the company and such rate is applied to the operating profit derived from the sale of metallic resources, according to the following table:

Scale No.	Operating profit margin		Rate
	Lower limit	Higher limit	
1	0%	10%	2.00%
2	10%	15%	2.40%
3	15%	20%	2.80%
4	20%	25%	3.20%
5	25%	30%	3.60%
6	30%	35%	4.00%
7	35%	40%	4.40%
8	40%	45%	4.80%
9	45%	50%	5.20%
10	50%	55%	5.60%
11	55%	60%	6.00%
12	60%	65%	6.40%
13	65%	70%	6.80%
14	70%	75%	7.20%
15	75%	80%	7.60%
16	80%	85%	8.00%
17	More than 85%		8.40%

Special Mining Tax payments will be deductible as expense for income tax purposes in the fiscal year in which such payments are made.

Complementary Retirement Fund for Mining, Metallurgic and Steel Activities

Law No. 29741, passed on July 14, 2011, created the Complementary Retirement Fund for Mining, Metallurgic and Steel Activities (*Fondo Complementario de Jubilación Minera, Metalúrgica y Siderúrgica*), which is a social security retirement fund for mining, metals and steel workers and will be partly funded by mining, metallurgic and steel companies, including us, with a payment equal to 0.5% of their annual net income before taxes.

Safety

As a mining company, we are subject to both the General Occupational Safety and Health Law (*Ley de Seguridad y Salud en el Trabajo*) approved by Law No. 29783, as amended by Law No. 30222, and the relevant regulations on safety and health applicable to mining activities approved by Supreme Decree No. 055-2010-EM, subsequently repealed and replaced by Supreme Decree No. 024-2016-EM.

The main principle of this law is that the employer assumes the economic, legal and any other type of liability arising from accidents or diseases suffered by the employee while working and guarantees the employee's health and safety in connection with the employee's work. This legislation entitles labor inspectors to inspect commercial facilities and, under certain circumstances, suspend operations. According to such laws and regulations, our main obligations in connection with occupational safety and health rules are: (i) to establish a safety and health committee which shall comprise the same number of employees and employer representatives and shall approve (A) an internal occupational safety and health code, (B) an occupational safety and health annual program, and (C) an occupational safety and health risk map, (ii) to implement and maintain a safety and health management system and its registries and related documentation updated, (iii) to deliver a copy of the internal occupational safety and health

code to its employees, (iv) to supervise the employees' fulfillment of the internal occupational safety and health code, (v) to perform medical examinations prior, during and at the end of the employee's labor relationship with us, (vi) to provide employees the adequate protective equipment, (vii) to inform the labor authority regarding any deterioration in an employee's health, and (viii) to ensure the same safety and health standards apply to all members of our labor force regardless if the employee is directly employed or through an outsourcing company.

Urgent Decree No. 044-2019 established measures to strengthen the protection of the health and lives of workers in Peru. This law amended included a new provision in the criminal code, which now establishes that a person who intentionally breaches safety and health provisions and is deemed to seriously jeopardize the life, health or physical integrity of such person's employees may be held criminally liable for such behavior and subject to mandatory sentencing of no less than one nor more than four years. If an employee or third-party dies or is severely injured as a result of deliberate non-compliance with occupational health and safety laws, such criminal offense would be punishable with mandatory sentencing of no less than four nor more than eight years. These punishments would be applied to the legal representative of the employer.

On July 28, 2016, Supreme Decree No. 024-2016-EM, as amended by Supreme Decree No. 029-2016-EM and Supreme Decree No. 023-2017-EM, relating to Occupational Health and Safety Regulations for Mining was published. These regulations aim to prevent the occurrence of incidents, work-related accidents and occupational diseases, aiming to promote a culture of prevention of occupational hazards in mining activities. MEM, through the General Directorate of Mining, is the competent authority on Occupational Health and Safety policy and regulation. In addition, SUNAFIL is the competent authority for the supervision and enforcement of compliance with legal and technical standards related to Occupational Safety and Health in Mining; while OSINERGMIN is the competent authority to supervise compliance of the legal and technical provisions related to the safety of infrastructure in mining.

The safety and health of our employees is our highest priority. Although we believe that we are in compliance with all safety and health regulations in all material respects, we have implemented adequate safety measures and work continuously to improve our occupational health and safety training and performance. We regularly monitor occupational health and safety performance and compliance through safety training programs, review and analysis of accident reports and other routine safety measures at our operating mines.

Under Peruvian legislation, reportable injuries include: accidental injuries resulting in lost-time, fatal accidents, accidents that require medical treatment or result in a loss of consciousness, an inability to perform all job duties on any workday after the injury or the temporary assignment or transfer to another job. Injuries involving first-aid only are not reportable as they are considered minor accidents. During 2019 we experienced 70 reportable injuries, including 1 fatal injury, compared to 96 reportable injuries, including 1 fatal injury in 2018.

Furthermore, in accordance with Supreme Decree No. 080-2020-PCM, the Ministry of Energy and Mines was required to approve COVID-19 health protocols for the resumption of activities in the mining, hydrocarbon, and electricity subsectors. In response, the Ministry of Energy and Mines issued Ministerial Resolution No. 128-2020-MINEM/DM which approved the "Sanitary Protocol for the implementation of prevention and response measures against COVID-19 in the activities of the Mining Subsector, the Hydrocarbon Subsector and the Electricity Subsector." All companies linked to the relevant sectors must fully implement the protocols established by this resolution, including the establishment and implementation of a plan for the surveillance, prevention and control of COVID-19 in the workplace. We have implemented a plan and registered it in the integrated COVID-19 system of the Peruvian Ministry of Health (*Ministerio de Salud*). The plan, which has been approved by the health and safety committee, establishes several COVID-19 prevention protocols, including mandatory completion of symptomatology forms by workers and participation in COVID-19 monitoring conducted by the occupational safety and health service, which consists of temperature checks twice a day; evaluation of symptoms; contact tracing; and COVID-19 testing for very high-risk, high-risk, and medium-risk workers.

Labor Regulations

Peruvian legislation allows hiring employees through: (i) a fixed-term contract, (ii) a contract for an indefinite duration; or (iii) a contract for part-time employment.

The minimum wage established in Peru is S/ 930.00 per month. Peruvian labor legislation establishes a maximum 8-hour workday or 48 hours per week for employees older than 18 years. For overtime, employers must

pay at least an additional 25% and an additional 35% over the regular hourly wage for the first two hours and for any additional hours, respectively. Employees are entitled to a minimum rest of 24 consecutive hours per week.

Regardless of the type of employment contract, pursuant to Peruvian law, full-time employees are entitled to receive: (i) an additional 10% of the minimum wage, provided that they are responsible for (a) one or more children under the age of 18, or (b) persons who are up to 24 years of age if they are pursuing higher education, (ii) two additional monthly salaries per year, one in July and one in December, (iii) thirty calendar days of annual paid vacation per year, (iv) life insurance since the beginning of the employment relationship, (v) a compensation for time of services (CTS) that amounts to 1.16% of a monthly salary and is deposited each year in May and November, provided they work an average of at least four hours per day for the same employer, (vi) benefits from the Peruvian Social Health Insurance (ESSALUD) to which employers must contribute a rate equivalent to 9% of their employees' income, and (vi) 8% of the of the company's annual income before taxes, provided the company has twenty or more employees.

Outsourcing

According to Law No. 29245 and Legislative Decree No. 1038 and the regulations enacted thereunder, outsourcing is a form of business organization under which a company (the outsourced company or main company) delegates part of its main activities to one or more outsourcing companies. A "main activity" is an activity that, if not performed, would immediately affect and/or interrupt the operations of a company.

Under Peruvian law, companies may outsource their main activities provided that the following conditions are met: (i) the outsourcing company must provide services at its own cost and risk, (ii) the outsourcing company must have its own financial, technical or material resources, (iii) the outsourcing company must be responsible for the results of its activities, and (iv) the employees of the outsourcing company must be under its exclusive subordination. Failure to comply with any of the foregoing conditions renders the outsourced company liable for all employment benefits as if the employee had been directly employed by the outsourced company.

The following elements characterize outsourcing activities: (i) the outsourcing company has more than one client, (ii) the outsourcing company has its own equipment and capital investment, and (iii) the compensation paid to the outsourcing company is calculated based on the services rendered by the company (not based on the salaries of the personnel assigned to the service).

Pursuant to regulations governing outsourcing relationships, the main company is jointly responsible for the payment of the outsourced employee's remunerations, labor benefits and social security contributions accrued during the term of the outsourcing relationship. Rights and benefits as a consequence of collective bargaining, labor agreements or those unilaterally set forth by the employer are excluded. The main company's joint responsibility applies for up to one year after the conclusion of the term of the outsourcing relationship.

Electricity Regulatory Framework

We hold a number of electricity concessions granted by the Ministry of Energy and Mines or regional governments in order to conduct our power generation and transmission activities. As a result, we are subject to the following regulatory framework.

The Electricity Concessions Law (*Ley de Concesiones Eléctricas*) approved by Law Decree No. 25844, published in the Official Gazette, El Peruano, on November 19, 1992 is the primary law governing electricity activities in Peru. On July 23, 2006, the Peruvian government enacted the Law to Secure the Efficient Development of Power Generation (*Ley para Asegurar el Desarrollo Eficiente de la Generación Eléctrica*), approved by Law No. 28832, which approved important modifications to the regulation. These laws are supplemented by a number of regulations regarding quality conditions for energy provision, tariff calculation, environmental, water use, wastewater disposal, cultural heritage protection and other applicable permits required to develop electricity activities.

According to the foregoing law, the following electricity activities shall be carried out exclusively through (i) a definitive concession, in the case of hydroelectric plants and other type of plants that use renewable energy resources with installed power capacity higher than 500 kW, power transmission activities that affect state-owned property or require easements, and power distribution over 500 kW, or (ii) authorizations in the case of

thermoelectric power generation with an installed capacity that exceeds 500 kW. Both concessions and authorizations are granted by the Ministry of Energy and Mines or by regional governments (in case of plants with installed power capacity lower than 10 MW).

Also, in accordance with the Non-Regulated Users Rules (*Reglamento de Usuarios Libre*), approved by Supreme Decree No. 22-2009-EM, users are qualified according to their degree of power consumption. Electricity users that have power demands larger than 2.5 MW in each supply point are considered non-regulated users and therefore have the right to choose their energy supplier. Electricity users that have power demands between 0.2 MW and 2.5 MW in each supply point can choose between being a regulated or non-regulated user. Electricity users with power demands of up to 0.2 MW in each supply point are considered regulated users. Non-regulated users are able to choose whether to contract energy supply from a generator or a distributor and can negotiate energy prices, while regulated users are subject to tariff regulation and can only contract energy supply with the distribution company that holds the concession within their geographical area.

The Supervisory Agency of Investment in Energy and Mining (*Organismo Supervisor de la Inversión en Energía y Minería* - OSINERGMIN) is an independent entity that has the power and responsibility to, among other things: (i) supervise participants' compliance with their concession agreements, legal obligations and regulations, as well as with the technical rules relating to the generation, transmission, distribution and commercialization of power; (ii) administer fines and penalties in case of violations of laws and regulations; (iii) handle claims by, between or against consumers and/or the energy sector participants and (iv) promote competition, transparency and equity in the energy market.

The Peruvian government, through OSINERGMIN, regulates and supervises the tariff (Bus Bar Tariff) to be charged by the electricity distributors that render an electricity public service (regulated users). Distributors are required to contract their energy supply with generators and two different regimes may apply: (i) bilateral agreements with generators by means of contracts without tenders which are subject to tariff regulation and (ii) contracts resulting from public tenders, called by distributors, in which the contract price will be the one offered by each bidder, with the maximum price being the one set by OSINERGMIN for each tender process. However, in the case of energy supply required by distributors for their energy demand from non-regulated users, the electricity supply conditions shall be freely agreed with the generators.

Generation companies may sell electricity to non-regulated users. In these cases, electricity prices (energy and power) are freely negotiable, but the tariffs and compensations for the use of the transmission networks and distribution networks, if applicable, are subject to regulation by OSINERGMIN.

The government is entitled to terminate a definitive concession agreement in the case of certain events, including the following:

- If the concessioner fails to register its agreement in public records.
- If the concessioner breaches its works schedule, unless it was a consequence of a force majeure event or a new guaranteed works schedule is approved.
- If the concessioner stops operating its facilities without cause for over 876 hours during a calendar year.
- If, after the imposition of fines, the concessioner continues to operate its facilities without following the orders of the Economic Committee of the System.

Holders of electricity concessions and authorizations must comply with several obligations, including the payment of a monthly contribution to OSINERGMIN, MINEM's General Department of Electricity (*Dirección General de Electricidad*) and OEFA, based on a percentage of their monthly billing net of value-added tax (18%). Such contribution shall be equal to the following percentages:

• MINEM:	0.35%
• OSINERGMIN:	0.49%
• OEFA:	0.11%

This contribution cannot exceed in aggregate to 1% of their annual billing net of value-added tax.

All environmental aspects of electricity activities are regulated by the General Directorate of Environmental Energy Affairs of the Ministry of Energy and Mines (Dirección de Asuntos Ambientales Energéticos or “DGAAE”) and SENACE. In addition, the OEFA is responsible for supervising the environmental aspects related to the electricity activities. Failure to comply with environmental obligations may result in the application of fines of up to 30,000 Tax Units (approximately US\$36,484,245.44) and other ancillary measures.

Environmental regulations and requirements are set forth in the Regulations for Environmental Protection in Electricity Activities approved by Supreme Decree No. 14-2019-EM. Furthermore, in order to obtain a definitive electricity concession the submission of an approved environmental management instrument by DGAAE, regional governments or SENACE is mandatory. SENACE is the entity in charge of reviewing and approving EIADs for investment projects of national and multiregional scope involving activities, construction and other commercial activities and services that are likely to cause significant environmental impacts. Other management environmental instruments (DIA and EIAsd) are approved by DGAAE and certain regional governments.

MANAGEMENT

Under our bylaws, the board of directors is in charge of our administration and of all matters that are not expressly reserved to the shareholders' meeting. The board of directors consists of seven members, all of them elected by the shareholders' meeting. The board of directors is elected for three-year periods, and directors may be reelected.

The required quorum for any board of directors meeting is the whole number of directors immediately exceeding half of its members. The resolutions shall be adopted by a majority of the directors in attendance. In case of a tie, the chairman has a casting vote. The board of directors has to meet at least six times per year, and at any moment when requested by the chairman or by any director.

The following table sets forth certain information about the members of our board of directors.

Name	Position	Age	Year Appointed
José Picasso Salinas	Chairman of the board and the executive committee	66	2010
José Ignacio de Romaña Letts	Vice chairman of the board and the executive committee	50	2014
Abraham Isaac Chahuán Abedrrabo	Director	60	2020
Carlos Francisco Fernandez Navarro	Director	35	2020
Nikola Popovic	Director	50	2020
Ricardo Revoredo Luna	Director	61	2019
Victoria Soyer Toche	Director	50	2017

José Picasso Salinas has been one of our directors and member of our executive committee since March 1996. He was the vice chairman of our board until April 2010 and has been chairman of the board and the executive committee since then. Mr. Picasso Salinas is also chairman of the board of Reactivos Nacionales, S.A., vice chairman of the board of Compañía Minera Poderosa, director of Cemento Polpaico S.A. – Chile, director of Bodegas Vista Alegre, director of Sociedad Nacional de Minería, Petróleo y Energía and member of the Consejo Empresarial Peruano-Chileno. Previously, Mr. Picasso Salinas was vice chairman of Embotelladora Latinoamericana S.A.A. (Coca Cola) and director of Compañía Minera Atacocha S.A., EXSA, S.A., Castrovirreyna Compañía Minera, Corporación Minera Castrovirreyna S.A., Compañía Molinera del Peru, Compañía de Seguros La Fénix Peruana S.A., Bolsa de Valores de Lima and Acción Comunitaria.

José Ignacio De Romaña Letts has been vice chairman of the board and member of the executive committee since 2014. He was a director until September 2014 and had been one of our directors since 1993. Previously, he worked at the assistant commercial manager's office of Compañía De Minas Buenaventura from 1992 until 1999, was in charge of our Commercial Management Office from 2000 to 2010, and was director of Castrovirreyna Compañía Minera S.A. since 2005 and of the Corporación Minera Castrovirreyna since 2002. Mr. De Romaña Letts holds a bachelor's degree in business administration from the Universidad del Pacífico.

Abraham Isaac Chahuán Abedrrabo has been one of our directors since July 2020. He has been President and chief executive officer of Compañía Minera Antamina from 2010 until 2020, President and chief executive officer of Compañía Minera Milpo from 2001 until 2010 and President and chief executive officer of Siderperu from 1996 until 2001. Mr. Chahuan, with 35 years of experience in the metallurgical mining sector, began his career at Southern Peru Copper Corporation, he has been vice president of the Sociedad Nacional de Minería, Petróleo y Energía del Perú, director of the Instituto de Ingenieros de Minas del Perú for four terms and president of the Perumin in 2013. Mr. Chahuan is a candidate for a Ph.D in international finance from the Universidad de Cataluña, has postgraduate studies at the Universidad Politécnica de Madrid, and holds a degree of metallurgical engineering from the Universidad Nacional de San Agustín.

Carlos Francisco Fernandez Navarro has been one of our directors since July 2020. He has been executive vice president of Volcan Compañía Minera S.A.A. since 2018. Mr. Fernandez worked at Lehman Brothers and Barclays-New York and in 2009 joined Glencore. In the Glencore group, he has worked in Sinchi Wayra-Bolivia and Los Quenuales-Peru. In 2013, he was appointed Asset Manager of South America for the Zinc Department and has served as Investor Relations Manager of the Glencore group between 2015 and 2017. Mr. Fernandez has a bachelor's degree in applied mathematics from Yale University.

Nikola Popovic has been one of our directors since July 2020. He has worked at Glencore since 1992, initially as a trader in the Zinc Department in London, then in Moscow and finally in Switzerland. He was in charge of the purchase of Kazzinc, in Kazakhstan. He was CEO and Chairman of Kazzinc. Today, Mr. Popovic leads the commercial and foundries side of the Zinc Department worldwide at Glencore. Mr. Popovic has bachelor's and master's degrees of economics from Cambridge University.

Ricardo Revoredo Luna has been one of our directors since November 2019. He is also alternate director of Compañía Minera San Ignacio de Morococha S.A.A., director of Bolsa de Valores de Lima S.A.A., director of Compañía Minera Chungar, director of Proyectos Médicos S.A. and member of the Consejo Consultivo de la Facultad de Administración y Finanzas Corporativas of the Universidad San Ignacio de Loyola. Previously, he was vice chairman of the board of directors of the Bolsa de Valores de Lima and director of CAVALI ICLV. Mr. Revoredo holds a bachelor's degree in business administration from the Universidad Nacional Federico Villarreal. He has also completed post-graduate courses in capital markets at the *Instituto Brasileiro de Mercados de Capital* (IBMEC) in Brazil and in finance at the *Escuela Superior de Administración de Negocios* (ESAN).

Victoria Soyer Toche has been one of our directors since November 2017. She is also director of Perubar and Transportadora Callao. She joined Glencore in 2010 and previously had worked for seven years at Tyco International in the United States of America, where she ultimately became Finance Director in 2008. Mrs. Soyer holds a bachelor's degree in business administration from the Universidad del Pacífico and an M.B.A from the Thunderbird School of Management.

Executive Officers

The following table sets forth certain information about our executive officers.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year Appointed</u>
Juan Ignacio Rosado Gómez De La Torre	Chief Executive Officer	51	2014
Carlos Francisco Fernandez Navarro	Executive Vice President	35	2018
Aldo de la Cruz Peceros	Vice President of Operations	50	2018
Jorge Leoncio Murillo Núñez	Chief Financial Officer	49	2013

Juan Ignacio Rosado Gómez De La Torre has been our chief executive officer since April 2014. He was our deputy chief executive officer from June 2010 until April 2014. Previously, he worked as vice president and finance director of Hochschild Mining Plc. He was also Senior Project Manager at McKinsey & Company from August 2000 until January 2005. Moreover, he was director of Lake Shore Gold Corp. from March 2008 until June 2010 and of Zincore Metals in 2010. Mr. Rosado holds a bachelor's degree in economics from the Universidad del Pacífico and a M.B.A. from the Ross School of Business, University of Michigan.

Carlos Francisco Fernández Navarro has been our Executive Vice President since January 2018. Previously, he worked as Business Development Manager (zinc division), South America Asset Manager (zinc division) and investor relations manager of Glencore International AG. He holds a degree in applied mathematics from Yale University.

Aldo de la Cruz Peceros has been our Vice President of Operations since January 2018. Previously, he worked as vice president of operations of Mina Sinchy Wayra Glencore Zinc between October 2015 and December 2017. He was also Senior Technical Advisor at Glencore Zinc South America between August 2012 and October 2015. Moreover, he was chief operating officer of Mopani Copper Mines Plc Zambia de Glencore Copper between April 2010 and June 2012 and Senior Technical Advisor at Glencore Copper between November 2009 and March 2010. Between 2003 and 2009 he worked in several positions at Glencore, as chief executive officer at Kamoto Underground Mine Congo DRC and Mufulira Mine Zambia and Project Manager at Nkana Mine, Mopani Copper Mines Plc Zambia. From 1999 until 2003 he worked as Mining Manager at Mina Yauliyacu in Peru. Mr. de la Cruz holds a degree in mining engineering from the Universidad de Ingeniería and a master's degree in mining management from GERENS. He also holds a bachelor's degree from the Universidad del Pacifico.

Jorge Leoncio Murillo Núñez has been our Chief Financial Officer since December 2013. Previously, he worked as Financial Planning Manager from January 2011 until December 2013. Moreover, he has also worked as a consultant at KPMG Consulting, finance comptroller of Perú and Colombia at Bearing Point, as Assistant Corporate

Manager at Grupo Gloria and as Budget Manager at Hochschild Mining Plc. Mr. Murillo holds a degree in industrial engineering and one in finance from the Pontificia Universidad Católica de Perú, as well as an M.B.A from ESAN.

Compensation

Compensation of our directors is set according to our bylaws. For the nine-month period ended September 30, 2020, aggregate accrued compensation to our board members and key management totaled US\$7.7 million.

PRINCIPAL SHAREHOLDERS AND DESCRIPTION OF SHARE CAPITAL

Our capital stock as of September 30, 2020 was represented by two classes of shares: (i) 1,633,414,553 Series A shares, representing 40.068% of our capital stock, and (ii) 2,443,157,622 Series B shares, representing 59.931% of our capital stock. See “—Our Share Capital.” Both classes of shares are listed on the Lima Stock Exchange and Santiago Stock Exchange, and Series B shares are also listed on Spain’s Latibex Stock Exchange.

The following table sets forth certain information as of September 30, 2020 with respect to the ownership of our share capital by each shareholder and group of affiliated shareholders known to us who own more than 5% of our capital stock:

Shareholders	As of September 30, 2020			% of Total Share Capital
	Series A Shares	Series B Shares	Total Shares	
Glencore International ⁽¹⁾	684,584,769	0	684,584,769	16.79%
Funds managed by Profuturo AFP ⁽²⁾	1	368,424,503	368,424,504	9.04%
Funds managed by Prima AFP ⁽³⁾	588	363,448,389	363,448,977	8.92%
Funds managed by AFP Integra ⁽⁴⁾	1,000	320,998,130	320,999,130	7.87%
Funds managed by AFP Habitat ⁽⁵⁾	215,365,222	0	215,365,222	5.28%
Treasury shares ⁽⁶⁾	206,735,312	12,234,901	218,970,213	5.37%

- (1) Glencore is a multi-national commodity trading and mining company, and owns 41.91% of our Series A shares representing 16.79% of our capital stock through its subsidiary Glencore International. See “Risk Factors—Risks Relating to Our Business—Glencore exercises control over our affairs and policies and its interests may be different from yours.”
- (2) Consists of Series A and B shares held by Profuturo AFP’s Funds 1, 2 and 3. Profuturo AFP is a Peruvian private pension fund.
- (3) Consists Series A and B shares held by Prima’s Funds 1, 2 and 3. Prima is a Peruvian private pension fund.
- (4) Consists of Series A and B shares held by AFP Integra’s Funds 1, 2 and 3. AFP Integra is a Peruvian private pension fund.
- (5) Consists of Series A and B shares held by AFP Habitat’s Funds 1, 2 and 3. AFP Habitat is a Peruvian private pension fund.
- (6) These shares are owned by three of our subsidiaries: Empresa Minera Paragsha owns 182,986,684 Series A shares and 12,234,901 Series B shares, Compañía Minera Chungar owns 23,442,345 Series A shares and Compañía Industrial Limitada de Huacho S.A. owns 306,283 Series A shares. Such shares are not deemed outstanding.

Our Share Capital

Our shares are divided in two classes: Series A shares and Series B shares, each of them granting different rights to holders, mainly in connection with the exercise of voting rights, preferential rights in connection with dividend distributions and the approvals of certain matters.

Holders of Series A shares are entitled to one vote per share, with the exception of the election of the board of directors, where each holder is entitled to one vote per share per nominee. Each holder’s votes may be cast for a single nominee or distributed among the nominees at the holder’s discretion.

Holders of Series B shares have a preferential right in connection with the distribution of dividends. Accordingly, Series B holders are entitled to receive an additional 5% over the applicable dividend paid to Series A holders. In addition, Series B holders are not entitled to attend shareholders meetings or to exercise voting rights therein, except in the following cases:

- when a shareholders meeting discusses any of the following matters: (i) capital reduction, (ii) merger, spin-off, transformation, dissolution or liquidation, (iii) changes on our domicile to any country other than Peru, (iv) bylaws’ amendments related to the our principal corporate purpose or the duration of our existence;
- when we fail to comply with the preferential cash dividend applicable to holders of Series B shares and only while such non-compliance continues, or when we intend to modify or exclude any right to which the Series B holders are entitled to; and
- when a suspension or exclusion of our shares from the Lima Stock Exchange occurs and is attributable to us and only while such situation continues.

In any of the foregoing cases, holders of Series B shares are entitled to attend the relevant shareholders meeting and to exercise one vote per share. In these cases, all Series B shares are counted for quorum purposes.

Shareholders' meetings consist of annual mandatory meetings or general meetings. The annual mandatory meeting has to take place within the first 90 days of each year, and has to treat the following matters: (i) approval or disapproval of the management, accounts and balance sheet of the foregoing year; (ii) decide on the allocation of profits; (iii) appoint the members of the board and determine their compensation; (iv) appoint, or delegate on the board of directors the appointment of, the external auditors; and (v) resolve on other aspects to which it is entitled to by virtue of the bylaws and/or applicable laws.

The general meetings have to treat following matters: (i) issuance of bonds or other debt instruments; (ii) amendments and interpretation of the bylaws; (iii) capital increases or reductions; (iv) transfer of all or of a substantial part of our assets; (v) merger, spin-off, transformation, reorganization, dissolution and liquidation; (vi) removal of the members of the board of directors and appointment of new members; (vii) order special investigations and audits; and (viii) cases for which the bylaws or the law provide for its intervention or the corporate interest requires. In order to adopt the agreements mentioned in (i) through (v), the required quorum and majorities are higher than those needed for the adoption of other resolutions.

Primary Shareholder

Glencore, through Glencore International, owns 55% of our Series A shares representing 22% of our capital stock. Glencore is one of the world's largest and globally diversified natural resource companies. Founded in 1974 as a trading company, Glencore is now a major producer and marketer of commodities. Glencore's operations comprise around 150 mining and metallurgical sites and oil production assets.

We benefit from Glencore's sound technical and operational expertise in the mining industry derived from a solid operational track-record, a global presence and best practices within the industry, as well as from Glencore's management expertise and financial capabilities.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we engage in a variety of transactions with subsidiaries, affiliates and related parties, including loan agreements and agreements relating to the sale of our products, sale of goods, management services, ore processing services, mineral and concentrate storage services and provision of labor.

Peruvian law sets forth certain restrictions and limitations on transactions with certain related parties. For instance, from a tax standpoint, the value of those transactions must be equal to the fair market value assessed under transfer pricing rules, i.e. the value agreed to by non-related parties under the same or similar circumstances.

Similarly, as a listed company, we are subject to the Article 51(c) of the Peruvian Securities Market Law and its regulations approved by SMV Resolution N° 029-2018-SMV/01, which came into force on January 1, 2020 (the “Related Party Transactions Regulations”). According to such regulations, unless any of the exceptions included therein are applicable, companies with securities registered in the Peruvian Securities Market Public Registry (*Registro Público del Mercado de Valores*), such as us, are required to comply with the following rules, among others:

- The execution of agreements that involve at least 5% of the assets of a company with persons or entities related (as such term is defined in the applicable SMV regulations) to directors, managers or shareholders that own, directly or indirectly, 10% of the share capital, requires the prior authorization of the board of directors (with no participation of the director involved in the transaction, if any); and
- The execution of agreements with a party controlled (as such term is defined in the applicable SMV regulations) by a company’s controlling shareholder requires the prior authorization of the board of directors and an evaluation of the terms of the transaction by an external independent company (audit companies or other to be determined by the Peruvian Superintendence of Capital Markets) who must fulfill the requirements stated in the Related Party Transactions Regulations, and whose technical report must comply with the minimum content set forth therein.

Such regulations also provide that if it is not possible for a company’s board of directors to decide on the execution of the agreement, it must be approved by such company’s general meeting of shareholders.

See Note 8 to our audited consolidated financial statements for details on our related party transactions in 2019 and 2018 .

Glencore

According to its public information, as of September 30, 2020, Glencore owned 55.03% of our Series A shares and 0.02% of our Series B shares through its subsidiary Glencore International. Therefore, Glencore would own approximately 22.06% of our capital stock. Glencore has the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders and thus exercises control over our business policies and affairs. Glencore purchases our products through private auctions and we currently have long-term agreements for the sale of our products with two Glencore affiliates (Glencore Peru S.A.C. and Glencore Lima Trading S.A.C.). Our sales to Glencore are made in conformity with applicable legislation, SMV rules, on substantially prevailing market terms and on an arm’s-length basis in order to avoid favoring our controlling shareholder. These long-term agreements represent approximately 44%, 35% and 81% of our zinc, lead and copper sales, respectively.

DESCRIPTION OF NOTES

We will issue the notes under an indenture (the “Indenture”) to be entered into by and among us, the Subsidiary Guarantors, Citibank, N.A., as trustee (the “Trustee”), and Banque Internationale à Luxembourg S.A., as Luxembourg paying agent and Luxembourg transfer agent. We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You may obtain a copy of the Indenture in the manner described under “Available Information” in these listing particulars, and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

You can find the definition of capitalized terms used in this section of these listing particulars under “—Certain Definitions.” In this section, when we refer to:

- the “Company,” we mean Volcan Compañía Minera S.A.A., and not its Subsidiaries; and*
- the “Notes” in this section, we mean the notes offered pursuant to these listing particulars and, unless the context otherwise requires, any Additional Notes, as described below under “—General.”*

General

The Notes will:

- be senior unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future senior unsecured indebtedness of the Company;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company, if any;
- be effectively subordinated to all existing and future secured indebtedness of the Company, if any, to the extent of the value of the assets securing such indebtedness;
- be subordinated to obligations of the Company preferred by statute or by operation of law;
- be Guaranteed by each Subsidiary Guarantor with such Subsidiary Guarantee ranking equal in right of payment with all other existing and future senior unsecured indebtedness of such Subsidiary Guarantor; and
- be structurally subordinated to all existing and future indebtedness of any Subsidiary that does not provide a Subsidiary Guarantee.

As of September 30, 2020, after excluding intercompany balances and intercompany guarantees, calculated on a pro forma basis and adjusted to give effect to this offering of notes, including the application of the net proceeds thereof, as if the offering and such application had occurred on September 30, 2020, we and the Subsidiary Guarantors had US\$918.0 million of outstanding consolidated indebtedness, of which none was secured indebtedness.

The Company will initially issue US\$475,000,000 aggregate principal amount of Notes, but may, subject to the limitations set forth under “—Covenants—Limitation on Incurrence of Additional Indebtedness,” issue an unlimited principal amount of securities under the Indenture. The Company may, without your consent, issue additional Notes (“Additional Notes”) in one or more transactions, which have substantially identical terms (other than issue price, issue date and initial interest payment date) as Notes issued on the Issue Date. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Issue Date as one class. Unless such Additional Notes are fungible with the Notes for U.S. federal income tax purposes, such notes shall be issued with a separate CUSIP number.

The Notes will be issued in the form of one or more global securities (the “Global Notes”) without coupons registered in the name of a nominee of DTC, as depositary. The Notes will be issued in minimum denominations of

US\$2,000 and integral multiples of US\$1,000 in excess thereof. See “Book-Entry, Delivery and Form” in these listing particulars. No service charge will be made for any registration of transfer or exchange of Notes, but the Trustee may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Principal, Maturity and Interest

The Notes will mature on February 11, 2026, unless earlier redeemed in accordance with the terms of the Notes. See “—Optional Redemption.”

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the Notes will accrue at the rate of 4.375% per year and will be payable semi-annually in arrears on February 11 and August 11 of each year, commencing on August 11, 2021. Payments will be made to the persons who are registered Holders at the close of business on February 1 and August 1, as the case may be, immediately preceding the applicable interest payment date (whether or not a Business Day).

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Initially, the Trustee will act as registrar, transfer agent and paying agent for the Notes. The Company may change the registrar, transfer agent and paying agent without notice to Holders. If a Holder of a non-Global Note in an aggregate principal amount of at least US\$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as paying agent, will remit all principal, premium, if any, and interest payments in respect of those Notes received from the Company in accordance with those instructions. All other payments on the non-Global Notes will be made at the office or agency of the paying agent in New York City unless the Company elects to make interest payments by check mailed to the registered Holders at their registered addresses. Payments on Global Notes shall be made to DTC in accordance with its applicable procedures.

As long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, the Company will also maintain a transfer agent and a paying agent in Luxembourg.

Subsidiary Guarantees

General

The obligations of the Company pursuant to the Indenture and the Notes will be fully and unconditionally Guaranteed, jointly and severally, on an unsecured basis, by each Subsidiary Guarantor.

Certain of our existing Subsidiaries, Compañía Minera Chungar, Empresa Administradora Cerro and Óxidos de Pasco, will provide a Subsidiary Guarantee on the Issue Date. For the nine months ended September 30, 2020, the combined revenues of the Company and the Subsidiary Guarantors were US\$355.6 million, representing 100% of our consolidated revenues. As of September 30, 2020, the combined assets of the Company and the Subsidiary Guarantors were US\$1,994.1 million, representing 92% of our consolidated assets.

The Indenture will require any Restricted Subsidiary that Guarantees Indebtedness of the Company or any Subsidiary Guarantor after the Issue Date to provide a Subsidiary Guarantee. Please see “—Future Subsidiary Guarantees” below.

Each Subsidiary Guarantee of a Subsidiary Guarantor will be limited to the maximum amount that would not render such Subsidiary Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law or under similar laws affecting the rights of creditors generally. By virtue of this limitation, a Subsidiary Guarantor’s obligation under its Subsidiary Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under its

Subsidiary Guarantee. See “Risk Factors—Risks Relating to the Notes and the Guarantors—It is possible that the guarantees may not be enforceable in the event of insolvency or bankruptcy or may be limited as to enforcement.”

We cannot assure you that this limitation will protect the Subsidiary Guarantees from fraudulent transfer challenges or, if it does, that the remaining amount due and collectible under the Subsidiary Guarantees would suffice, if necessary, to pay the Notes in full when due. In a Florida bankruptcy case, this kind of provision was found to be unenforceable and, as a result, the subsidiary guarantees in that case were found to be fraudulent conveyances. We do not know if that case will be followed if there is litigation on this point under the Indenture. However, if it is followed, the risk that the Subsidiary Guarantees will be found to be fraudulent conveyances will be significantly increased.

Future Subsidiary Guarantees

If, on or after the Issue Date, (i) the Company or any Restricted Subsidiary acquires or creates a Significant Subsidiary, or (ii) the Company determines in good faith (after making an assessment on June 30 and December 31 of each fiscal year) that any Non-Guarantor Restricted Subsidiary has become a Significant Subsidiary based on the most recent consolidated financial statements of the Company provided to the Trustee pursuant to “—Covenants—Reports to Holders” (or required to be provided thereunder), then that newly acquired or created Significant Subsidiary, or the Non-Guarantor Restricted Subsidiary that the Company has determined in good faith that it has become a Significant Subsidiary, as applicable, must become a Subsidiary Guarantor and execute a supplemental indenture providing for its Subsidiary Guarantee and deliver an Opinion of Counsel and Officer’s Certificate to the Trustee within thirty (30) days from such acquisition, creation or determination; provided that (i) such Significant Subsidiary’s Subsidiary Guarantee will be limited to the maximum amount that would not result in a breach or violation by such Significant Subsidiary of any provision of any agreement to which it is party existing at the time of such acquisition or creation or becoming a Significant Subsidiary, as applicable; provided, further, that such provision was not adopted in connection with, or in contemplation of, such acquisition or creation or such Non-Guarantor Restricted Subsidiary becoming a Significant Subsidiary or to avoid guaranteeing the Notes or the Indenture, and (ii) such Significant Subsidiary shall not be required to execute any such supplemental indenture if the execution or enforcement of such supplemental indenture and the resultant Subsidiary Guarantee thereunder is prohibited by, or in violation of, any applicable law to which such Significant Subsidiary is subject and the Company has delivered to the Trustee an Opinion of Counsel to that effect. Notwithstanding the foregoing, if at the time of such acquisition, creation or determination, as applicable, such Significant Subsidiary has no Indebtedness, such Significant Subsidiary shall not be required to become a Subsidiary Guarantor or provide a Subsidiary Guarantee; provided that if at any time thereafter, such Significant Subsidiary Incurs any Indebtedness, at the time of such Incurrence such Significant Subsidiary must become a Subsidiary Guarantor and execute a supplemental indenture providing for its Subsidiary Guarantee and deliver an Opinion of Counsel and Officer’s Certificate to the Trustee in accordance with the preceding sentence, subject to the provisos (i) and (ii) therein.

The Company will not permit any Restricted Subsidiary, directly or indirectly, to Guarantee any Indebtedness of the Company or any Subsidiary Guarantor unless such Restricted Subsidiary (a) is a Subsidiary Guarantor or (b) becomes a Subsidiary Guarantor within ten (10) days of such Guarantee and executes and delivers to the Trustee an Opinion of Counsel, an Officer’s Certificate and a supplemental indenture providing for its Subsidiary Guarantee, which Subsidiary Guarantee will rank senior in right of payment to or equally in right of payment with such Subsidiary’s Guarantee of such other Indebtedness.

At any time after the Issue Date, the Company may designate a Subsidiary Guarantor as a Non-Guarantor Restricted Subsidiary if (A) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Non-Guarantor Designation; (B) the Company determines in good faith, at the time of such Non-Guarantor Designation, that such Subsidiary Guarantor is not a Significant Subsidiary based on the most recent consolidated financial statements of the Company provided to the Trustee pursuant to “—Covenants—Reports to Holders” (or required to be provided thereunder); and (C) after giving effect to such Non-Guarantor Designation, (i) the total assets of all Non-Guarantor Restricted Subsidiaries (measured on a combined basis) as of the last day of the relevant fiscal quarter is less than 15.0% of the Company’s consolidated total assets, and (ii) the total Adjusted EBITDA of all Non-Guarantor Restricted Subsidiaries (measured on a combined basis) for the relevant fiscal quarter is less than 15.0% of the Company’s consolidated Adjusted EBITDA, in each of (C)(i) and (C)(ii) on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses, assets or operations by the Company and its Restricted Subsidiaries subsequent to the last day of the relevant fiscal quarter and on or prior to the date of such Non-Guarantor Designation. See “—Covenants—Limitation on Designation of Non-Guarantor Restricted Subsidiaries.”

Release of the Subsidiary Guarantees

The Subsidiary Guarantee of a Subsidiary Guarantor will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect) upon:

- a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture;
- the designation in accordance with the Indenture of the Subsidiary Guarantor as an Unrestricted Subsidiary or the Subsidiary Guarantor otherwise ceases to be a Restricted Subsidiary in accordance with the Indenture;
- the designation in accordance with the Indenture of the Subsidiary Guarantor as a Non-Guarantor Restricted Subsidiary;
- defeasance or discharge of the Notes, as provided in “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge;”
- solely in the case of a Subsidiary Guarantee created pursuant to the second paragraph of the covenant described under “—Future Subsidiary Guarantees,” upon the release or discharge of the Guarantee that resulted in the creation of such Subsidiary Guarantee pursuant to that covenant, except a discharge or release by or as a result of payment under such Guarantee;
- upon the final liquidation or dissolution of such Subsidiary Guarantor; provided that no Default or Event of Default occurs as a result thereof or has occurred or is continuing; or
- payment in full of the aggregate principal amount of all Notes then outstanding and all other obligations under the Indenture and the Notes then due and owing.

Upon any occurrence giving rise to a release of a Subsidiary Guarantee as specified above, the Trustee, upon receipt of an Officer’s Certificate from the Company and an Opinion of Counsel each stating that all conditions precedent to such release have been satisfied, will execute any documents reasonably required by the Company in order to evidence or effect such release, discharge and termination in respect of such Subsidiary Guarantee. None of the Company, any Subsidiary Guarantor or the Trustee will be required to make a notation on the Notes to reflect any Subsidiary Guarantee or any such release, termination or discharge.

Unrestricted Subsidiaries

As of the Issue Date, all of the Company’s Subsidiaries, excluding Empresa Hidroeléctrica Huanchor, Compañía Hidroeléctrica Tingo, Empresa de Generación Eléctrica Río Baños, Roquel Global S.A.C., Corporación Logística Chancay S.A.C., Empresa Minera Paragsha and Compañía Industrial Limitada de Huacho S.A., will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” If so designated, the Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture.

Additional Amounts

All payments in respect of the Notes will be made free and clear of and without any deduction or withholding for or on account of any present or future taxes, duties, levies, imposts, assessments or other government charges and any interest, penalties or other liabilities with respect thereto (“Taxes”), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If we are required by any law of Peru or any jurisdiction where the Company or any Subsidiary Guarantor is incorporated or resident for tax purposes or from or through which any payment in respect of the Notes is made by the paying agent or the Company, or any political subdivision thereof (a “Relevant Jurisdiction”) or any taxing authority of a Relevant Jurisdiction, to withhold or deduct any Taxes from or in respect of any sum payable under the Notes, we shall (i) pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts receivable by Holders of any Notes after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding

or deduction, (ii) make such withholding or deduction, and (iii) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of:

- any present or future Taxes that would not have been imposed but for any present or former connection between the Holder or beneficial owner of a Note (or a fiduciary, settlor, beneficiary, member or shareholder of the Holder or beneficial owner of a Note) and the Relevant Jurisdiction (other than the mere receipt of a payment, the ownership or holding of a Note, or enforcing rights thereunder);
- any estate, inheritance, capital gains, excise, personal property tax, sales, transfer, gift or similar tax, assessment or other governmental charge imposed with respect to the Notes;
- any Taxes that would not have been imposed but for the failure of the Holder or any other Person to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, for tax purposes, of the Holder or any beneficial owner of the Note if compliance is required by law, regulation or by an applicable income tax treaty to which the Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of the Tax, and we have given the Holder at least thirty (30) days' notice, in writing, that the Holder will be required to provide such certification, identification, information or documentation; provided that such certification, identification, information, documentation or other reporting requirement is not materially more onerous than the provision of forms required by the United States under analogous circumstances;
- any Tax payable otherwise than by deduction or withholding from payments on or in respect of the Notes;
- any present or future Taxes with respect to a Note presented for payment, where presentation is required, more than thirty (30) days after (i) the date on which the payment became due and payable or (ii) the date on which payment thereof is duly provided for and notice is provided to Holders, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such 30-day period;
- any payment on the Note to a Holder that is a fiduciary, a partnership, a limited liability company or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interest holder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note;
- any taxes required to be deducted or withheld pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto ("FATCA"); or
- in the case of any combination of the items listed above.

Upon request, the Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Taxes in respect of which we have paid any Additional Amount within thirty (30) days of payment to the relevant taxing authority. We will make copies of such documentation available to the Holders of the Notes or the relevant paying agent upon request.

The Company will pay promptly when due any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of each Note or any other document or instrument referred to in the Indenture or such Note, excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Jurisdiction except those resulting from, or required to be paid in connection with, the enforcement of such Note or any other such document or instrument after the occurrence and during the continuance of any Event of Default with respect to the Note in default.

The Company intends to withhold Peruvian taxes from interest payments on the Notes at a rate of 4.99% and to pay Additional Amounts, subject to the conditions above, with respect thereto for so long as the Notes are held through DTC or its nominee. See "Taxation—Peruvian Taxation."

Any reference in these listing particulars, the Indenture or the Notes to principal, premium, interest or any other amount payable in respect of the Notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

In the event of any merger or other transaction described and permitted under “— Certain Covenants — Limitation on Merger, Consolidation and Sale of Assets,” then all references to Peru, Peruvian law or regulations, and Peruvian taxing authorities under this section and under “— Optional Redemption — Optional Redemption upon Tax Event” shall be deemed to also include the relevant Qualified Merger Jurisdiction, the law or regulations of the relevant Qualified Merger Jurisdiction, and any taxing authority of the relevant Qualified Merger Jurisdiction, respectively.

Optional Redemption

Optional Redemption with a Make-Whole Premium

At any time and from time to time prior to February 11, 2023, the Company will have the right, at its option, to redeem the Notes, in whole or in part, at a redemption price per Note equal to 100% of the principal amount of the Note to be redeemed plus the greater of (1) 1% of the then outstanding principal amount of the Note to be redeemed, and (2) the excess of: (a) the present value (as determined by the Independent Investment Banker) at such redemption date of (i) the redemption price of the Note at February 11, 2023 (such redemption price being set forth in the table below under “—Optional Redemption Without a Make-Whole Premium”) plus (ii) all required interest payments thereon through February 11, 2023 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, over (b) the then outstanding principal amount of the Note (the “Make- Whole Amount”), plus in each case any accrued and unpaid interest on the principal amount of the Note to the date of redemption. The Trustee shall have no duty to calculate or verify any Make-Whole Amount.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to February 11, 2026, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to February 11, 2026.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Company.

“*Comparable Treasury Price*” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Reference Treasury Dealer*” means (i) Citigroup Global Markets Inc., a primary United States government securities dealer selected by Banco BTG Pactual S.A. – Cayman Branch and a primary United States government securities dealer selected by Santander Investment Securities Inc. (or their respective affiliates which are primary United States government securities dealers), and (ii) not less than one other leading primary United States government securities dealer in New York City reasonably designated by the Company; provided that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Company will substitute therefor another Primary Treasury Dealer.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

Optional Redemption Without a Make-Whole Premium

At any time and from time to time on or after February 11, 2023, the Company may, at its option, redeem the Notes, in whole or in part, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the 12-month period beginning on February 11 of the years indicated below.

Year	Percentage	
2023	102.188	%
2024	101.094	%
2025 and thereafter	100.000	%

Optional Redemption with Proceeds of Equity Offerings

At any time prior to February 11, 2023, the Company may, at its option, on one or more occasions, redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 104.375% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (1) Notes in an aggregate principal amount equal to at least 65% of the aggregate principal amount of Notes issued on the first Issue Date remain outstanding immediately after the occurrence of such redemption; and
- (2) the redemption must occur within ninety (90) days of the date of the closing of such Equity Offering.

Optional Redemption Upon Tax Event

If the Company determines that, as a result of any amendment to, expiration of, or change in, the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, any taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to, expiration of, or change of such laws, rules or regulations becomes effective or, in the case of a change in official interpretation or application, is announced on or after the date of these listing particulars (or on or after the date a Relevant Jurisdiction becomes a Relevant Jurisdiction, if later), we (or a Subsidiary Guarantor) would be obligated to pay any Additional Amounts in excess of those attributable to a withholding tax rate of 4.99% with respect to the Notes (see “—Additional Amounts” and “Taxation—Peruvian Taxation”); provided, that the Company, in its business judgment, determines that such obligation cannot be avoided by the Company taking reasonable measures available to it, then, at its option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest to the redemption date due thereon up to but excluding the date of redemption; provided that (1) no notice of redemption for tax reasons may be given earlier than sixty (60) days prior to the earliest date on which the Company (or a Subsidiary Guarantor) would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the giving of any notice of redemption pursuant to this provision, the Company will deliver to the Trustee:

- an Officer’s Certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred (including that we cannot avoid the obligation to pay such Additional Amounts by taking reasonable measures available); and
- an Opinion of Counsel from legal counsel in a Relevant Jurisdiction of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

The Trustee may conclusively rely upon and will accept such Officer’s Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above.

Notice of the redemption, once delivered by us or on our behalf to the Holders, will be irrevocable.

Optional Redemption Procedures

Notice of any redemption will be given at least ten (10) but not more than sixty (60) days before the redemption date to Holders of Notes to be redeemed (with a copy to the Trustee) in accordance with the provisions described in “—Notices” below, except that redemption notices may be given more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance or covenant defeasance of the Notes or a satisfaction and discharge of the Indenture.

Notes called for redemption will become due on the date fixed for redemption. The Company will pay the redemption price for the Notes together with accrued and unpaid interest thereon to but excluding the date of redemption (subject to the rights of the relevant Holders as of the record date to receive payments of interest on the related interest payment date). On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the paying agent funds in satisfaction of the applicable redemption price together with accrued and unpaid interest thereon pursuant to the Indenture. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled and cannot be reissued.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange or (2) on a pro rata basis to the extent practicable, or, if the pro rata basis is not practicable for any reason, by lot or by such other method as most nearly approximates a pro rata basis, in each case as long as the Notes are in global form, subject to customary DTC procedures (in integral multiples of US\$1,000; provided that the remaining principal amount of such Holder’s Note will not be less than US\$2,000). Upon surrender of any Note redeemed in part, the Holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note. Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest (unless the Company defaults in the payment of the redemption price).

In addition to the Company’s right to redeem the Notes as set forth above, the Company may purchase the Notes in open-market transactions, tender offers or otherwise at any price, in compliance with applicable securities laws. Any Note so purchased by the Company may be surrendered to the Trustee for cancellation.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of US\$1,000; provided that the remaining principal amount of such Holder’s Note will not be less than US\$2,000) of the Holder’s Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon to but excluding the purchase date (the “Change of Control Payment”).

Within thirty (30) days following the date upon which the Change of Control Triggering Event occurs, the Company must send a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a “Change of Control Offer”) as described in “—Notices” below. The Change of Control Offer will state, among other things, the purchase date, which must be at least ten (10) but not more than sixty (60) days from the date the notice is given, other than as may be required by law (the “Change of Control Payment Date”). The Change of Control Offer may, at the Company’s discretion, be subject to the consummation of the transactions triggering the Change of Control Triggering Event as a condition precedent.

On the Business Day immediately preceding the Change of Control Payment Date, the Company will, to the extent lawful, deposit with the paying agent funds in an amount equal to the Change of Control Payment, in respect of all Notes or portions thereof so tendered.

On the Change of Control Payment Date, as applicable, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered and not withdrawn; and
- (2) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer’s Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, as applicable, a new Note in an authorized principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer, as applicable, will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes in connection with a Change of Control Offer, as applicable. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control Triggering Event provisions of the Indenture, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Other existing and future indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control Triggering Event may cause a default under such indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations it may have. However, we cannot assure you that the Company would be able to obtain necessary financing and the terms of the Indenture may restrict the ability of the Company to obtain such financing.

Holdes will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which does not lead to a Change of Control Triggering Event.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if: (a) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (b) prior to the date the Change of Control Offer is required to be made, the Company has given notice of redemption in respect of all of the outstanding Notes in accordance with the Indenture.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon the consummation of the required Change of Control Triggering Event, if a definitive agreement is in place for the applicable Change of Control at the time of making of the Change of Control Offer.

Covenants in the Indenture restricting the ability of the Company and its Restricted Subsidiaries to Incur additional Indebtedness, to grant Liens on property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of the Company, whether favored or opposed by the management or its Board of Directors. Consummation of any Asset Sale may, in certain circumstances, require redemption or repurchase of the Notes, and the Company or the acquiring party may not have sufficient financial resources to effect such redemption or repurchase. In addition, restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Company or any of its Subsidiaries. While these restrictions cover a wide variety of arrangements that have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger, recapitalization or similar transaction.

One of the events that constitutes a Change of Control under the Indenture is the disposition of "all or substantially all" of the Company's assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which is the

governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of “all or substantially all” of the assets of a Person and a Change of Control Triggering Event. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, there can be no assurance as to how a court interpreting New York State law would interpret that phrase under certain circumstances.

Covenants

Limitation on Incurrence of Additional Indebtedness

- (1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness), except that the Company and its Subsidiary Guarantors may Incur Indebtedness if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the net proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio of the Company shall be greater than 2.0 to 1.0.
- (2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may, at any time, Incur the following Indebtedness (“Permitted Indebtedness”):
 - (a) Indebtedness in respect of the Notes (excluding Additional Notes) and the Subsidiary Guarantees (including in respect of any Additional Notes);
 - (b) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;
 - (c) Hedging Obligations entered into by the Company and its Restricted Subsidiaries for bona fide hedging purposes and not for speculative purposes, including without limitation, Hedging Obligations with respect to the Notes;
 - (d) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries; provided that such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the Notes and the Indenture, in the case of the Company, or a Subsidiary Guarantor’s Subsidiary Guarantee, in the case of a Subsidiary Guarantor; and provided further, that in the event that at any time any such Indebtedness ceases to be held by the Company or any Restricted Subsidiary, such Indebtedness will be deemed to be Incurred by the Company or the relevant Restricted Subsidiary, as the case may be, and not permitted by this clause (d) at the time such event occurs;
 - (e) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five (5) Business Days of receipt of notice of insufficient funds;
 - (f) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of any obligations under workers’ compensation claims, severance payment obligations, payment obligations in connection with health or other types of social security benefits, unemployment or other insurance or self-insurance obligations, reclamation, statutory obligations, regulatory or other similar legal obligations, and factoring and other financing of payables or receivables in the ordinary course of business;
 - (g) Indebtedness consisting of letters of credit, banker’s acceptances, performance bonds, appeal bonds, surety bonds, promissory notes, customs bonds and other similar bonds and reimbursement obligations Incurred by the Company or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, concession, franchise or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);
 - (h) Indebtedness of the Company or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the Notes in full or deposited to defease or discharge the Notes, in each case in accordance with the Indenture;
 - (i) Refinancing Indebtedness in respect of:

- (i) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1)); or
 - (ii) Indebtedness Incurred pursuant to clauses (a), (b), (j) or (m) (including, of the avoidance of any doubt, with respect to Indebtedness consisting of the aggregate principal amount of Existing Notes that remain outstanding following the Issue Date);
 - (j) Acquired Indebtedness of any Restricted Subsidiary that was not Incurred to finance the acquisition thereof provided that, after giving effect to the Incurrence of such Acquired Indebtedness, the Company would be permitted to Incur at least US\$1.00 of additional Indebtedness under clause (1) above;
 - (k) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations (including in respect of earn-outs not for financing purposes) or from customary guarantees or performance bonds, in each case, incurred in connection with the disposition of any business, assets or Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness will at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;
 - (l) the Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be Incurred by another provision of this covenant;
 - (m) Capitalized Lease Obligations, working capital and mortgage financings or Purchase Money Indebtedness of the Company or any Subsidiary Guarantor, in each case Incurred for the purpose of acquiring or financing all or any part of the purchase price or cost of design, installation, construction or improvement of property or equipment used or useful in a Permitted Business, in an aggregate principal amount at any one time outstanding, including any Refinancing Indebtedness Incurred to Refinance any Indebtedness Incurred pursuant to this clause (m), not to exceed the greater of US\$25.0 million and 3% of the Company's Consolidated Net Tangible Assets (or the equivalent in other currencies); and
 - (n) in addition to Indebtedness referred to in clauses (a) through (m) above, Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount at any one time outstanding not to exceed the greater of US\$130.0 million and 15% of the Company's Consolidated Net Tangible Assets (or the equivalent in other currencies).
- (3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:
- (a) the outstanding principal amount of any item of Indebtedness will be counted only once;
 - (b) in the event that an item of Indebtedness meets the criteria of clause (1) above or more than one of the categories of Permitted Indebtedness described in clauses (a) through (n) of clause (2) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;
 - (c) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
 - (d) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS;
 - (e) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness will not be included; and
 - (f) the accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of

regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; provided that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) above will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

- (4) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; provided that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a “Restricted Payment”):

- (a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:
 - dividends or distributions payable in Qualified Capital Stock of the Company;
 - dividends or distributions payable to the Company and/or a Restricted Subsidiary; or
 - dividends, distributions or returns of capital made on a pro rata basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);
- (b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company held by Persons other than the Company or any of its Restricted Subsidiaries;
- (c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness; or
- (d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving pro forma effect thereto:

- (1) a Default or an Event of Default has occurred and is continuing;
- (2) (A) the Company is not able to Incur at least US\$1.00 of additional Indebtedness pursuant to paragraph (1) of “—Limitation on Incurrence of Additional Indebtedness” or (B) the Consolidated Debt to EBITDA Ratio of the Company exceeds 3.5 to 1.0 at the time of or after giving effect to such Restricted Payment; or
- (3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof will exceed the sum of:
 - (A) (x) 50% or (y) if the Consolidated Debt to EBITDA Ratio of the Company does not exceed 2.0 to 1.0 at the time of and after giving effect to such Restricted Payment, 100%, in each case of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as

one accounting period, from October 1, 2020 to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; plus

- (B) 100% of the aggregate net cash proceeds received by the Company from any Person from any:
 - (x) contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case subsequent to the Issue Date; or
 - (y) issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness for borrowed money of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company;

excluding, in each case, any net cash proceeds:

- (x) received from a Subsidiary of the Company;
 - (y) used to acquire Capital Stock or other assets from an Affiliate of the Company; or
 - (z) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; plus
- (C) an amount equal to the sum, for all Unrestricted Subsidiaries, of the following:
 - (x) the cash return, and the fair market value of assets or property received, after the Issue Date, on Investments in an Unrestricted Subsidiary made after the Issue Date pursuant to this paragraph as a result of any sale, repayment, redemption, liquidating distribution or other realization (to the extent not included in clause 3(A) above); plus
 - (y) all distributions or dividends to the Company or a Restricted Subsidiary from Unrestricted Subsidiaries (provided that such distributions or dividends shall be excluded in calculating Consolidated Net Income for purposes of clause 3(A) to the extent already included in clause 3(A) above); plus
 - (z) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the assets less liabilities of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; plus
- (D) the cash return, and the fair market value of property received, after the Issue Date, on any other Investment made after the Issue Date pursuant to this paragraph, as a result of any sale, repayment, redemption, liquidating distribution or other realization (to the extent not included in clause 3(A) above).

Notwithstanding the preceding paragraph, this covenant does not prohibit:

- (1) the payment of any dividend within sixty (60) days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to the preceding paragraph;
- (2) the acquisition of any shares of Capital Stock of the Company:
 - (x) in exchange for Qualified Capital Stock of the Company; or
 - (y) through the application of the net cash proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;

provided, that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net cash proceeds will be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

- (3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:
 - (x) Qualified Capital Stock of the Company; or
 - (y) Refinancing Indebtedness for such Subordinated Indebtedness;
 provided, that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net cash proceeds referred to above shall be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);
- (4) if no Default or Event of Default has occurred and is continuing or would exist after giving pro forma effect thereto, repurchases by the Company of Capital Stock of the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Company from employees or directors of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors, in an amount not to exceed US\$3.0 million (or the equivalent in other currencies) in any calendar year and US\$8.0 million (or the equivalent in other currencies) in the aggregate;
- (5) repurchases of Capital Stock deemed to occur upon the exercise of stock options if the Capital Stock represents all or a portion of the exercise price thereof (or related withholding taxes), and Restricted Payments by the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Company; and
- (6) if no Default or Event of Default has occurred and is continuing or would exist after giving pro forma effect thereto, Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (6), does not exceed US\$30.0 million (or the equivalent thereof in other currencies).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend) and (4) above will be included in such calculation, and amounts expended pursuant to clauses (2), (3), (5), and (6) above will not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) permitted pursuant to this covenant or a Permitted Investment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described above or one or more clauses of the definition of "Permitted Investment," the Company shall be permitted to classify such Restricted Payment or Permitted Investment (or any portion thereof) on the date it is made, or later reclassify all or any portion of such Restricted Payment or Permitted Investment, in any manner that complies with this covenant, and such Restricted Payment or Permitted Investment (or portion thereof) shall be treated as having been made pursuant to only one of such clauses of this covenant or of the definition of Permitted Investment.

Limitation on Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of; and
- (b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale is in the form of (1) cash or Cash Equivalents; (2) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the

Company or any Restricted Subsidiary in a Permitted Business; (3) Capital Stock in a Person engaged solely in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale; or (4) a combination of cash, Cash Equivalents and such assets. For purposes of this clause (b), the assumption by the purchasers of Indebtedness or other obligations (other than Subordinated Indebtedness) of the Company or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or securities received from the purchasers that are promptly, but in any event within ninety (90) days of the closing, converted by the Company or a Restricted Subsidiary to cash, to the extent of the cash actually so received, shall be considered cash received at closing.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

- (1) repay, prepay or purchase any secured Senior Indebtedness of the Company or any Restricted Subsidiaries, in each case for borrowed money or constituting a Capitalized Lease Obligation and permanently reduce the commitments with respect thereto without Refinancing;
- (2) make capital expenditures in the Company or any Restricted Subsidiary involved in a Permitted Business;
- (3) purchase:
 - (A) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or
 - (B) Capital Stock of a Person engaged solely in a Permitted Business that will become, upon purchase, a Restricted Subsidiary, from a Person other than the Company and its Restricted Subsidiaries;
- (4) enter into a binding commitment with a Person, other than the Company and its Restricted Subsidiaries, to apply such Net Cash Proceeds pursuant to clauses (2) or (3) above, provided, that such binding commitment shall be subject only to customary conditions and the applicable purchase shall be consummated within 180 days following the expiration of the aforementioned 365-day period; or
- (5) any combination of (1) through (4) above.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within 365 days after the Asset Sale as described in clauses (1) through (4) (in the case of clause (4) such period will be extended for 180 days) of the immediately preceding paragraph (any such Net Cash Proceeds not so applied, "Excess Proceeds"), the Company will make an offer (within ten (10) Business Days of such 365th day (subject to deferral as described below and the extension described in clause (4) above)) equal to the Excess Proceeds to purchase Notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus any accrued and unpaid interest thereon, to but excluding the purchase date (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on a pro rata basis, and, at the Company's option, on a pro rata basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such Excess Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant period set forth above.

The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of Excess Proceeds from one or more Asset Sales equal to or in excess of US\$60.0 million (or the equivalent in other currencies). At that time, the entire amount of Excess Proceeds, and not just the amount in excess of US\$60.0 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Pending application in accordance with this covenant, Net Cash Proceeds may be Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be at least ten (10) and not more than sixty (60) days from the date the notice is given, other than as may be required by law (the “Asset Sale Offer Payment Date”). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of US\$1,000 in exchange for cash; provided that the principal amount of such tendering Holder’s Note will not be less than US\$2,000.

On the Business Day immediately preceding the Asset Sale Offer Payment Date, the Company will, to the extent lawful, deposit with the paying agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Sale Offer; and
- (2) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer’s Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

To the extent that Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of Excess Proceeds, the Company will purchase the Notes and the other Senior Indebtedness on a pro rata basis (based on amounts tendered). If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in an authorized principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of Excess Proceeds, the Company and its Restricted Subsidiaries may use any remaining Net Cash Proceeds in any manner not prohibited by the Indenture.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition will be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof will be applied in accordance with this covenant within 365 days of conversion or disposition (subject to deferral and extension as described above).

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by doing so.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any property or asset unless:

- (1) the Company or the Restricted Subsidiary would be entitled to:
 - (A) Incur Indebtedness in an amount equal to the Attributable Indebtedness with respect to such Sale and Leaseback Transaction pursuant to the covenant described under the caption “— Limitation on Incurrence of Additional Indebtedness,” and
 - (B) create a Lien on such property or asset securing such Attributable Indebtedness without equally and ratably securing the Notes pursuant to the covenant described under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions, and

- (2) the Company complies with the covenant described under the caption “—Limitation on Asset Sales” in respect of such transaction.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Issue Date any Subsidiary of the Company as an “Unrestricted Subsidiary” under the Indenture (an “Unrestricted Subsidiary Designation”) only if:

- (1) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Unrestricted Subsidiary Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with “—Limitation on Transactions with Affiliates”; and
- (2) the Company would be permitted to make an Investment at the time of such Unrestricted Subsidiary Designation (assuming the effectiveness of such Unrestricted Subsidiary Designation and treating such Unrestricted Subsidiary Designation as an Investment at the time of such Unrestricted Subsidiary Designation) as a Restricted Payment pursuant to the first paragraph of “—Limitation on Restricted Payments” or a Permitted Investment in an amount (the “Designation Amount”) equal to the amount of the Company’s Investment in such Subsidiary on such date.

The Company may revoke any Unrestricted Subsidiary Designation of a Subsidiary as an Unrestricted Subsidiary (a “Revocation”) only if:

- (1) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and
- (2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary:

- (1) all existing Investments of the Company and the Restricted Subsidiaries therein (valued at the Company’s proportional share of the fair market value of its assets less liabilities) will be deemed made at that time;
- (2) all existing Capital Stock or Indebtedness of the Company or a Restricted Subsidiary held by it will be deemed Incurred at that time, and all Liens on property of the Company or a Restricted Subsidiary held by it will be deemed Incurred at that time;
- (3) all existing transactions between it and the Company or any Restricted Subsidiary will be deemed entered into at that time;
- (4) it is released at that time from its Subsidiary Guarantee, if any; and
- (5) it will cease to be subject to the provisions of the Indenture as a Restricted Subsidiary.

Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary:

- (1) all of its Indebtedness and Disqualified or Preferred Stock will be deemed Incurred at that time for purposes of “—Limitation on Incurrence of Additional Indebtedness”;
- (2) Investments therein previously charged under “Limitation on Restricted Payments” will be credited thereunder;
- (3) it may be required to issue a Subsidiary Guarantee; and
- (4) it will thenceforward be subject to the provisions of the Indenture as a Restricted Subsidiary.

Notwithstanding the foregoing, the Company may at any time constitute, organize, incorporate, form or spin-off a new Subsidiary of the Company in order to transfer (i) the Company’s existing assets, property and Capital Stock as of the Issue Date in, and (ii) any other assets, property and Capital Stock transferred by the Company after the Issue Date in compliance with the Indenture to, CSPCP in connection with the Chancay Port Project to such new Subsidiary of the Company, and such Subsidiary will be considered designated as an

Unrestricted Subsidiary as of the date of such transfer without consideration to the requirements set forth above (the “Chancay Port Transfer”).

The designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be deemed to include the designation of all of the Subsidiaries of such Subsidiary. All Unrestricted Subsidiary Designations and Revocations, other than those made on the Issue Date pursuant to the Indenture, and the Chancay Port Transfer must be evidenced by Board Resolutions of the Company’s Board of Directors and an Officer’s Certificate, delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Designation of Non-Guarantor Restricted Subsidiaries

The Company may designate at any time after the Issue Date any Subsidiary Guarantor as a “Non-Guarantor Restricted Subsidiary” under the Indenture (a “Non-Guarantor Designation”) only if:

- (1) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Non-Guarantor Designation;
- (2) the Company determines in good faith, at the time of such Non-Guarantor Designation, that such Subsidiary Guarantor is not a Significant Subsidiary based on the most recent consolidated financial statements of the Company provided to the Trustee pursuant to “—Covenants—Reports to Holders” (or required to be provided thereunder); and
- (3) after giving effect to such Non-Guarantor Designation, (i) the total assets of all Non-Guarantor Restricted Subsidiaries (measured on a combined basis) as of the last day of the relevant fiscal quarter is less than 15.0% of the Company’s consolidated total assets, and (ii) the total Adjusted EBITDA of all Non-Guarantor Restricted Subsidiaries (measured on a combined basis) for the relevant fiscal quarter is less than 15.0% of the Company’s consolidated Adjusted EBITDA, in each of (3)(i) and (3)(ii) on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses, assets or operations by the Company and its Restricted Subsidiaries subsequent to the last day of such fiscal quarter and on or prior to the date of such Non-Guarantor Designation.

Upon a Subsidiary Guarantor becoming a Non-Guarantor Restricted Subsidiary, any Subsidiary Guarantee previously provided by such Subsidiary Guarantor will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect).

The designation of a Subsidiary Guarantor as a Non-Guarantor Restricted Subsidiary will be deemed to include the designation of all of the Subsidiaries of such Subsidiary Guarantor as Non-Guarantor Restricted Subsidiaries. All Non-Guarantor Designations must be evidenced by Board Resolutions of the Company’s Board of Directors and an Officers’ Certificate, delivered to the Trustee certifying compliance with the preceding provisions; provided, however that all Subsidiaries of the Company that are not Subsidiary Guarantors as of the Issue Date shall automatically be designated as Non-Guarantor Restricted Subsidiaries on the Issue Date. Any Non-Guarantor Designation shall automatically be revoked if such Subsidiary provides a Subsidiary Guarantee.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;
 - (2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or
 - (3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (b) Paragraph (a) above of this covenant will not apply to encumbrances or restrictions existing under or by reason of:

- (1) applicable law, rule, regulation or order;
- (2) the Indenture, the Notes or the Subsidiary Guarantees;
- (3) the terms of any Indebtedness outstanding on the Issue Date;
- (4) the terms of any binding agreement with respect to any Restricted Subsidiary relating to its Capital Stock or assets in effect on the Issue Date, and any amendments or restatements thereof; provided that any amendment or restatement is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;
- (5) restrictions on the transfer of assets subject to any Permitted Lien;
- (6) customary provisions restricting the ability of any Restricted Subsidiary to undertake any action described in clauses (a)(1) through (a)(3) above in joint venture agreements and other similar agreements entered into in the ordinary course of business and with the approval of the Company's Board of Directors;
- (7) customary restrictions on cash or other deposits imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;
- (8) customary non-assignment provisions of any license agreement or other contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset that is subject to a Lien that secures Indebtedness, in each case permitted to be Incurred under the Indenture;
- (9) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; provided that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;
- (10) customary restrictions imposed on the transfer of copyrighted or patented materials;
- (11) Indebtedness permitted to be incurred pursuant to clause 2(m) under "—Covenants— Limitation of Incurrence of Additional Indebtedness" that impose encumbrances and restrictions on the assets so acquired or subject to the lease;
- (12) restrictions (A) with respect to any Person, or to the property or assets of any Person, at the time the Person is acquired by the Company or any Restricted Subsidiary, or (B) with respect to any Unrestricted Subsidiary at the time it is designated or is deemed to become a Restricted Subsidiary, which encumbrances or restrictions (i) are not applicable to any other Person or the property or assets of any other Person and (ii) were not put in place in anticipation of such event and any extensions, renewals, replacements or refinancings of any of the foregoing, provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced; and
- (13) an agreement that amends, extends, renews, refinances or replaces an agreement referred to in clauses (1)-(12) of this paragraph (b); provided that such agreement is, taken as a whole, not materially more restrictive with respect to such encumbrances or restrictions than those contained in the agreement that it amends, extends, renews, refinances or replaces.

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables, unless contemporaneously therewith effective provision is made to secure the Notes, the Subsidiary Guarantees and all other amounts due under the Indenture equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the Notes or the

Subsidiary Guarantees prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries) to any Person unless:

- (a) either:
 - (1) the Company is the surviving or continuing Person; or
 - (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):
 - (A) is a corporation organized and validly existing under the laws of Peru or a Qualified Merger Jurisdiction; and
 - (B) expressly assumes, by supplemental indenture, executed and delivered to the Trustee, the due and punctual payment of all amounts payable pursuant to the Indenture and the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;
- (b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be:
 - (A) will be able to Incur at least US\$1.00 of additional Indebtedness pursuant to clause (1) of "Limitation on Incurrence of Additional Indebtedness"; and
 - (B) the Consolidated Fixed Charge Coverage Ratio for the Surviving Entity would be equal to or higher than such ratio for the Company immediately prior to such transaction;
- (c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default has occurred or is continuing;
- (d) if the surviving or continuing Person is not the Company, each Subsidiary Guarantor has confirmed by supplemental indenture that its Subsidiary Guarantee will apply to the Obligations of the Surviving Entity in respect of the Indenture and the Notes; and
- (e) the Company or the Surviving Entity has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture(s), if any, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction and the execution of the supplemental indenture(s), if any, have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the

Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clause (b) above will not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

The foregoing shall not apply to (i) any transfer of assets by the Company to any Subsidiary Guarantor or (ii) any transfer of assets among Subsidiary Guarantors.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such and the Company shall be relieved of its obligations under the Indenture and the Notes. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under “—Change of Control Triggering Event” if applicable.

No Subsidiary Guarantor may consolidate with or merge with or into any Person, or sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or permit any Person to merge with or into the Subsidiary Guarantor unless:

- (a) (i) the other Person is the Company or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or
- (ii) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person (if not such Subsidiary Guarantor) expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Subsidiary Guarantee; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or
- (iii) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture; and
- (b) the Company or the surviving entity has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, if any, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction and the execution of the supplemental indenture, if any, have been satisfied.

Limitation on Transactions with Affiliates

- (1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an “Affiliate Transaction”), unless the terms of such Affiliate Transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm’s-length basis from a Person that is not an Affiliate of the Company.
- (2) Paragraph (1) above will not apply to:
 - (a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;
 - (b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Company or any Restricted Subsidiary;

- (c) Affiliate Transactions undertaken pursuant to the terms of any agreement or arrangement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements or arrangements may be amended, modified, supplemented, extended, renewed or replaced from time to time; provided that any future amendment, modification, supplement, extension, renewal or replacement entered into after the Issue Date will be permitted to the extent that its terms are not more materially disadvantageous to the Holders of the Notes than the terms of the agreements or arrangements in effect on the Issue Date;
- (d) the entering into of a customary agreement providing registration rights to the shareholders of the Company and the performance of such agreements;
- (e) transactions or payments, including grants of securities, stock options and similar rights, pursuant to any employee, officer or director compensation or benefit plans or arrangements entered into in the ordinary course of business or approved by the Company's Board of Directors in good faith;
- (f) any employment agreements entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;
- (g) any Restricted Payments made in compliance with "—Limitation on Restricted Payments" and Permitted Investments;
- (h) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services that are Affiliates, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are on terms no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company (as determined in good faith by the Board of Directors or senior management of the Company); and
- (i) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary in the ordinary course of business and not exceeding US\$3.0 million (or the equivalent in other currencies) outstanding at any one time.

Maintenance of Priority

The Company shall ensure that its payment obligations with respect to the Notes will constitute its direct, unconditional and general senior unsecured obligations and will rank senior or *pari passu* (except for Indebtedness that is subordinated in right of payment to the Notes) in priority of payment and in all other respects with respect to its future Indebtedness, except for certain obligations that in case of the Company's insolvency or bankruptcy are granted preferential treatment pursuant to the laws of Peru.

Each Subsidiary Guarantor shall ensure that its payment obligations with respect to its Subsidiary Guarantee will constitute its direct, unconditional and general senior unsecured obligations and will rank senior or *pari passu* (except for Indebtedness that is subordinated in right of payment to its Subsidiary Guarantee) in priority of payment and in all other respects with respect to its future Indebtedness, except for certain obligations that in case of such Subsidiary Guarantor's insolvency or bankruptcy are granted preferential treatment pursuant to the laws of its jurisdiction of incorporation.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Anti-Layering

Neither the Company nor any Subsidiary Guarantor may Incur any Indebtedness that is subordinate in right of payment to other Indebtedness of the Company or any Subsidiary Guarantor unless such Indebtedness is also subordinate in right of payment to the Notes or the relevant Subsidiary Guarantee on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Use of Proceeds

The Company will use the net proceeds from the offering as described under “Use of Proceeds.”

Reports to Holders

For so long as the Notes remain outstanding, the Company will furnish or cause to be furnished to the Trustee and to the Holders of Notes upon such Holder’s written request, copies of (or written notice of a password protected URL address providing access to) the following items in English:

- within sixty (60) days after the end of the first, second and third quarters of the Company’s fiscal year ending December 31, quarterly unaudited financial statements (consolidated) prepared in accordance with IFRS of the Company for such period; and
- within one hundred and twenty (120) days after the end of the fiscal year of the Company commencing with the fiscal year ended December 31, 2020, annual audited financial statements (consolidated) prepared in accordance with IFRS of the Company for such fiscal year and a report on such annual financial statements by the Company’s auditors.

Each such annual report will include a “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

So long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Trustee, upon its request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such reports shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company’s or any other Person’s compliance with any of its covenants under the Indenture, the Notes or any Subsidiary Guarantee (as to which the Trustee is entitled to rely exclusively on Officer’s Certificates).

The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company’s or any other Person’s compliance with the covenants described above or with respect to any reports or other documents filed under the Indenture; provided, however, that nothing herein shall relieve the Trustee of any obligations to monitor the Company’s timely delivery of all reports described in the second paragraph of this section “—Covenants —Reports to Holders.”

Covenant Suspension

If on any date following the Issue Date (i) the Notes have Investment Grade Ratings from at least two of Fitch, Moody’s and S&P, and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the “Suspended Covenants”):

- (1) “—Covenants—Limitation on Incurrence of Additional Indebtedness”;
- (2) “—Covenants—Limitation on Restricted Payments”;
- (3) “—Covenants—Limitation on Asset Sales”;
- (4) “—Covenants—Limitation on Designation of Unrestricted Subsidiaries”;
- (5) “—Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (6) “—Covenants—Anti-Layering”;
- (7) “—Covenants—Maintenance of Priority”;
- (8) “—Covenants—Conduct of Business”;

- (9) Clause (b) of the first paragraph of “—Covenants—Limitation on Merger, Consolidation and Sale of Assets”; and
- (10) “—Covenants—Limitation on Transactions with Affiliates.”

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”) at least two of Fitch, Moody’s or S&P no longer give the Notes an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the “Suspension Period.” In the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Restricted Subsidiaries in respect of the Suspended Covenants prior to such reinstatement will give rise to a Default or Event of Default under the Indenture; provided that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made will be calculated as though the covenant described under “—Covenants—Limitation on Restricted Payments” had been in effect prior to, but not during, the Suspension Period, provided further that any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to the Company’s right to subsequently designate them as Unrestricted Subsidiaries pursuant to “—Covenants—Limitation on Designation of Unrestricted Subsidiaries”), and (2) all Indebtedness Incurred, or Disqualified Capital Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (b) of the second paragraph of “—Covenants—Limitation on Incurrence of Additional Indebtedness.”

No representation is made that the Notes will ever achieve or maintain Investment Grade Ratings. The Company shall send written notice to the Trustee upon the commencement of any Suspension Period or the occurrence of any Reversion Date; provided that the failure to so notify the Trustee shall not be a default under the Indenture. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any knowledge of the ratings of the Notes and shall have no duty to notify Holders of any Suspension Period or Reversion Date.

Notices

Notices to Holders of non-Global Notes will be mailed to them at their registered addresses. Notices to Holders of Global Notes will be given to DTC in accordance with its applicable procedures.

In addition, from and after the date the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange and so long as it is required by the rules of such exchange, all notices to Holders of Notes will be published in English by the Company:

- (1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be the *Luxemburger Wort*); or
- (2) on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Notices will be deemed to have been given on the date of delivery to DTC or mailing, as applicable, or of publication as aforesaid or, if published on different dates, on the date of the first such publication. The Trustee shall have no duty to oversee or confirm that a notice has been published in Luxembourg or with the Luxembourg Stock Exchange.

Events of Default

The following are “Events of Default” under the Indenture:

- (1) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption;

- (2) default for thirty (30) days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;
- (3) the failure to perform or comply with any of the provisions described under “—Covenants—Limitation on Merger, Consolidation and Sale of Assets”;
- (4) default in the performance or breach of the obligations described under the caption “—Repurchase of Notes upon a Change of Control Triggering Event” and “—Covenants—Limitation on Asset Sales”, and such default or breach continues for a period of thirty (30) consecutive days after written notice is received by the Issuer from the Trustee at the request of the Holders or from the Holders of 25% or more in aggregate principal amount of the outstanding Notes;
- (5) the failure by the Company or any Restricted Subsidiary to comply with any other material covenant or agreement contained in the Indenture or the Notes for sixty (60) days or more after written notice to the Company thereof from the Trustee or to the Company and the Trustee from the Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (6) default by the Company or any Restricted Subsidiary under any Indebtedness (whether such Indebtedness now exists or is created after the Issue Date) which:
 - (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness and continues following the expiration of any applicable grace period provided in such Indebtedness and has not been cured or waived; or
 - (b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and the principal or accreted amount of Indebtedness covered by clause (a) or (b) at the relevant time, aggregates US\$30.0 million (or the equivalent in other currencies) or more;
- (7) failure by the Company or any of its Restricted Subsidiaries to pay one or more final judgments against any of them, aggregating US\$30.0 million (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of sixty (60) days or more (to the extent not covered by a reputable and creditworthy insurance company);
- (8) certain events of bankruptcy, insolvency, concurso mercantil or quiebra affecting the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; or
- (9) except as permitted by the Indenture, any Subsidiary Guarantee of any Significant Subsidiary or group of Subsidiary Guarantors that, taken together, would constitute a Significant Subsidiary is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any such Subsidiary Guarantor or group of Subsidiary Guarantors denies or disaffirms its obligations under its Subsidiary Guarantee.

If an Event of Default (other than an Event of Default specified in clause (8) above with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company (and the Trustee if given by the Holders) specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (8) above occurs with respect to the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the outstanding Notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances (including without limitation, reasonable and documented counsel fees and expenses) outstanding at that time.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the outstanding Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity and/or security reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such Holder gives to the Trustee written notice of a continuing Event of Default;
- (2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;
- (3) such Holders of the Notes provide to the Trustee satisfactory indemnity and/or security;
- (4) the Trustee does not comply within sixty (60) days; and
- (5) during such 60-day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

The Company is required, within ten (10) Business Days of becoming aware of any Default or Event of Default, to deliver to the Trustee an Officer's Certificate describing such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within one hundred and twenty (120) days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. In the absence of receipt by a responsible officer of the Trustee of an Officer's Certificate regarding any such notice of Default or Event of Default from the Company or written notice from any Holder of such Default or Event of Default, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. The Indenture provides that if a Default or Event of Default occurs and a responsible officer of the Trustee has received written notice thereof, the Trustee must give to each Holder notice of the Default or Event of Default within forty-five (45) days after the Trustee received written notice thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes and all obligations of the Subsidiary Guarantors discharged with respect to the Subsidiary Guarantees ("Legal Defeasance"). Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes on the 91st day after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on, the Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of transfer and exchange Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trusts, duties, immunities and indemnities of the Trustee and obligations of the Company and the Subsidiary Guarantors in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to the covenants that are described under “—Covenants” (other than “Limitation on Merger, Consolidation and Sale of Assets”) (“Covenant Defeasance”) and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default. In the event Covenant Defeasance occurs, certain events (other than non-payment and bankruptcy, receivership, reorganization and insolvency events with respect to the Company or any Significant Subsidiary) described under “—Events of Default” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, (a) cash in U.S. dollars, (b) certain direct non-callable obligations of, or guaranteed by, the United States, or (c) a combination thereof, in such amounts as will be sufficient without reinvestment (in the written opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants delivered to the Trustee; provided, however that such written opinion will not be required if the Company has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars in an amount sufficient without reinvestment) to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:
 - (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or
 - (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,
 in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from any failure to comply with “—Covenants—Limitation on Incurrence of Additional Indebtedness” as a result of the borrowing of the funds required to effect such deposit);
- (5) the Company has delivered to the Trustee an Officer's Certificate stating that such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the

Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

- (6) the Company has delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;
- (7) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
- (8) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee (subject to customary qualifications and exclusions) to the effect that the trust resulting from the deposit does not constitute, or is not qualified as, a regulated investment company under the Investment Company Act of 1940.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes and the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Company and the Subsidiary Guarantors in connection therewith, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
 - (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or
 - (b) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee (a) cash in U.S. dollars, (b) certain direct, non-callable obligations of, or guaranteed by, the United States or (c) a combination thereof, sufficient without reinvestment (in the written opinion of a nationally recognized investment bank, appraisal firm or firm of independent accountants delivered to the Trustee; provided, however that such written opinion will not be required if the Company has irrevocably deposited or caused to be deposited with the Trustee cash in U.S. dollars in an amount sufficient without reinvestment) to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit (in the case of Notes that have become due and payable), or to the stated maturity or redemption date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;
- (2) the Company has paid all other sums payable by it under the Indenture and the Notes; and
- (3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company, the Subsidiary Guarantors and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the Notes for the following purposes; provided that the Subsidiary Guarantors need not execute a supplemental indenture executed pursuant to clause (3) below:

- (1) to cure any ambiguity, defect or inconsistency contained therein;

- (2) to provide for the assumption by a surviving entity of the obligations of the Company or a Subsidiary Guarantor under the Indenture;
- (3) to add Subsidiary Guarantees or additional Guarantees or release a Subsidiary Guarantee in accordance with the terms of the Indenture;
- (4) to secure the Notes;
- (5) to add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (6) to provide for the issuance of Additional Notes in accordance with the Indenture;
- (7) to evidence the replacement of the Trustee as provided for under the Indenture;
- (8) if necessary, in connection with any release of any security permitted under the Indenture;
- (9) to make any other change that does not adversely affect the rights of any Holder in any material respect;
- (10) to provide for uncertificated Notes in addition to or in place of certificated Notes; or
- (11) to conform the text of the Indenture, the Subsidiary Guarantees or the Notes to any provision of this “Description of Notes,” to the extent such provision was intended to be a verbatim recitation of the text of the Indenture, the Subsidiary Guarantees or the Notes (as applicable), which such intention shall be evidenced to the Trustee by delivery of an Officer’s Certificate from the Company, upon which the Trustee may conclusively rely.

Other modifications to, amendments of, and supplements to, the Indenture or the Notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

- (1) reduce the percentage of the principal amount of the outstanding Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the Notes is not limited by this clause);
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the Notes is not limited by this clause);
- (4) make any Notes payable in money other than that stated in the Notes;
- (5) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of outstanding Notes to waive Defaults or Events of Default (other than a default in payment of principal or interest on any Note);
- (6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Triggering Event that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;
- (7) eliminate or modify in any manner a Subsidiary Guarantor’s obligations with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture;
- (8) make any change in the provisions of the Indenture described under “—Additional Amounts” that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; and
- (9) make any change to the provisions of the Indenture or the Notes that adversely affects the ranking of the Notes.

In connection with any amendment, supplement or waiver, the trustee shall be entitled to receive an officers' certificate and an opinion of counsel, each stating that all conditions precedent to such amendment, supplement or waiver have been satisfied, that such amendment, supplement or waiver is authorized or permitted by the Indenture and, with respect to the opinion of counsel, that such amendment, supplement or waiver is the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms.

Governing Law; Jurisdiction

The Indenture, the Notes and the Subsidiary Guarantees will be governed by, and construed in accordance with, the law of the State of New York.

Each of the Company and the Subsidiary Guarantors will submit to the jurisdiction of the U.S. federal and New York state courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the Notes or any Subsidiary Guarantee.

According to the laws of the State of New York, claims against us for the payment of principal of and premium, if any, and interest on the Notes must be made within six years from the due date for payment thereof.

The Trustee

Citibank, N.A. is the Trustee under the Indenture. The office of the Trustee at which its corporate trust business is principally administered is located at 388 Greenwich Street, New York, New York 10013, United States of America.

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

No Personal Liability

No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Subsidiary Guarantor will have any liability for any obligations of the Company under the Notes, the Indenture or the Subsidiary Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Peruvian corporate law.

Currency Indemnity

The Company, and each Subsidiary Guarantor, will pay all sums payable under the Indenture, the Notes or such Subsidiary Guarantee solely in U.S. Dollars. Any amount received or recovered in a currency other than U.S. Dollars by any payee, in respect of any sum expressed to be due to it from the Company or any Subsidiary Guarantor, will only constitute a discharge to the Company or any such Subsidiary Guarantor to the extent of the U.S. Dollar amount which such payee is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which such payee is able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the Trustee under the Indenture or any Holder under the Indenture or any Note, the Company, and any Subsidiary Guarantor, will indemnify such payee against any loss it sustains as a result. In any event, the Company and the Subsidiary Guarantors will indemnify each payee against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for a payee to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which it was able to do so. In addition, payees will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder or the Trustee; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Indenture, any Note or any Subsidiary Guarantee.

Listing

In the event that the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market, the Company will use its commercially reasonable efforts to maintain such listing; provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “Transparency Directive”) or any legislation implementing the Transparency Directive or other directives or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company’s Board of Directors may decide.

Certain Definitions

The following sets forth certain of the defined terms used in the Indenture. Reference is made to the Indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

“*Additional Amounts*” has the meaning set forth under “—Additional Amounts” above.

“*Additional Notes*” has the meaning set forth under “—General” above.

“*Affiliate*” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries’ controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Asset Acquisition*” means:

- (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;
- (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or
- (3) any Revocation with respect to an Unrestricted Subsidiary.

“*Asset Sale*” means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a “disposition”), by the Company or any Restricted Subsidiary of:

- (a) any Capital Stock other than Capital Stock of the Company (other than directors’ qualifying shares and shares issued to foreign nationals to the extent required by applicable law); or
- (b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “—Covenants—Merger, Consolidation and Sale of Assets” or any disposition which constitutes a Change of Control;
- (2) the sale of property or equipment that, in the reasonable determination of the Company, has become worn out, obsolete or damaged or otherwise unused in connection with the business of the Company or any Restricted Subsidiary;
- (3) sales or other dispositions of equipment, inventory, accounts receivable or other assets in the ordinary course of business;
- (4) for purposes of “—Covenants—Limitation on Asset Sales” only, the making of a Restricted Payment permitted under “—Covenants—Limitation on Restricted Payments” and any Permitted Investment;
- (5) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;
- (6) the creation of a Permitted Lien;
- (7) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (8) (i) the licensing or sublicensing of intellectual property or other general intangibles, including entering into cross-licensing arrangements, in the ordinary course of business and (ii) the abandonment or other disposition of intellectual property that is, in the reasonable judgment of management of the Company or the relevant Restricted Subsidiary, no longer economically convenient to maintain or useful in the conduct of the Permitted Business;
- (9) any sale of Capital Stock in, or Indebtedness of other securities of, an Unrestricted Subsidiary;
- (10) a Sale and Leaseback Transaction permitted under the proviso at the end of “—Covenants—Limitation on Sale and Leaseback Transactions”;
- (11) the good faith surrender or waiver of contract rights, tort claims or statutory rights in connection with a settlement;
- (12) the lease, assignment, licensing or sub-lease or sub-licensing of any real or personal property in the ordinary course of business;
- (13) the sales of Empresa Hidroeléctrica Huanchor, Empresa de Generación Eléctrica Río Baños, Empresa Administradora Cerro, Óxidos de Pasco and Remediadora Ambiental; and
- (14) any transaction or series of related transactions involving property or assets with a Fair Market Value not in excess of US\$15.0 million (or the equivalent in other currencies).

“*Asset Sale Offer*” has the meaning set forth under “—Covenants—Limitation on Asset Sales.”

“*Asset Sale Offer Amount*” has the meaning set forth under “—Covenants—Limitation on Asset Sales.”

“*Asset Sale Offer Payment Date*” has the meaning set forth under “—Covenants—Limitation on Asset Sales.”

“*Asset Sale Transaction*” means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

“*Attributable Indebtedness*” means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“*Board of Directors*” means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Business Day*” means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York City, United States or in Lima, Peru.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that would have been required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS as of the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” shall mean:

- (1) United States dollars, Peruvian soles, or the local currencies of the countries of incorporation of the Subsidiary Guarantors held by the Company or any Restricted Subsidiary from time to time;
- (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than 12 months from the date of acquisition;
- (3) certificates of deposit, demand and time deposits and Eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any commercial bank having capital and surplus in excess of US\$250 million and the outstanding indebtedness of which is rated at least “A-2” by S&P, at least “P-2” by Moody’s or at least “F-2” by Fitch (or the equivalent of such rating by such rating organization, or, if no rating of S&P, Moody’s or Fitch then exists because none of the foregoing then rates obligations of the type described in this clause, the equivalent of such rating by any other United States nationally recognized securities rating agency);
- (4) commercial paper having one of the two highest rating categories obtainable from either Moody’s or S&P and in each case maturing within 12 months after the date of acquisition;
- (5) readily marketable direct obligations issued by any state of the United States or any political subdivision thereof, in either case having one of the two highest rating categories obtainable from either Moody’s or S&P and in each case maturing within 12 months after the date of acquisition; and
- (6) money market funds that invest primarily in securities described in clauses (1) through (5) of this definition

“*Change of Control*” means the occurrence of any of the following events:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any Person (including any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d) of the Exchange Act or any successor provisions to any of the foregoing)) other than to one or more Permitted Holders;
- (2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that the Permitted Holders cease to be the “beneficial owners” (as defined in Rules 13d 3 and 13d 5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or
- (3) the adoption of a plan relating to the liquidation or dissolution of the Company.

“*Chancay Port*” means the natural port with a depth of up to 16 meters located 80 kilometers north of Lima, Peru, currently owned by CSPCP.

“*Chancay Port Project*” means development and construction of the Chancay Port.

“*Change of Control Offer*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Payment*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Payment Date*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event*” means the occurrence of both a Change of Control and a Rating Decline.

“*Commodity Agreement*” means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*Consolidated Adjusted EBITDA*” means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, plus the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income for such period:

- (1) Consolidated Interest Expense for such Person;
- (2) Consolidated Income Tax Expense for such Person;
- (3) Consolidated Non-cash Charges for such Person;
- (4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period;
- (5) all fees, costs and expenses incurred in connection with the offering of the Notes as disclosed under “Use of Proceeds”; and
- (6) any net loss from disposed or discontinued operations.

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated Adjusted EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period.

Notwithstanding the foregoing, to the extent not otherwise already included, the items specified in clauses (1) through (6) above for any Subsidiary (Restricted Subsidiary in the case of the Company) will be added to Consolidated Net Income in calculating Consolidated Adjusted EBITDA for any period:

- (a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Company) held directly or indirectly by such Person at the date of determination; and
- (b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Company) pursuant to its charter and bylaws (estatutos sociales) and each law, regulation, agreement or judgment applicable to such distribution.

“*Consolidated Debt to EBITDA Ratio*” means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Indebtedness for such Person as of such date to Consolidated Adjusted EBITDA for such Person for the Four Quarter Period.

For purposes of this definition, Consolidated Indebtedness and Consolidated Adjusted EBITDA will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

- (1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period or at any time subsequent to the last day of such Four Quarter Period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period;
- (2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four Quarter Period; and
- (3) in the case of the Company and the Subsidiary Guarantors, any reductions in net Indebtedness due to Investments made pursuant to clause (2) of “Permitted Investments” that are held as of the time of such calculation.

For purposes of making such pro forma computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

- (c) the average daily balance of such Indebtedness during such Four Quarter Period; or
- (d) if such facility was created after the end of such Four Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving pro forma effect to any borrowings related to any transaction referred to in clause (2) above.

“*Consolidated Fixed Charge Coverage Ratio*” means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Adjusted EBITDA of such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the “Four Quarter Period”) to Consolidated Interest Expense for such Person for such Four Quarter Period. For purposes of this definition, Consolidated Adjusted EBITDA and Consolidated Interest Expense will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

- (1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company) and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four Quarter Period and at any time subsequent to the last day of such Four Quarter Period

and prior to or on such date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four Quarter Period;

- (2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such Four Quarter Period;
- (3) the Consolidated Adjusted EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the date of determination, will be excluded;
- (4) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the date of determination, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Restricted Subsidiaries following the date of determination;
- (5) any Person that is a Restricted Subsidiary on the date of determination or that becomes a Restricted Subsidiary on the date of determination will be deemed to have been a Restricted Subsidiary at all times during such Four Quarter Period; and
- (6) any Person that is not a Restricted Subsidiary on the date of determination or would cease to be a Restricted Subsidiary on the date of determination will be deemed not to have been a Restricted Subsidiary at any time during such Four Quarter Period.

For purposes of making such pro forma computation:

- (a) interest on any Indebtedness bearing a floating rate of interest will be calculated as if the rate in effect on the applicable date of determination had been the applicable rate for the entire Four Quarter Period (taking into account any Interest Rate Agreements applicable to such Indebtedness);
- (b) interest on any Indebtedness under a revolving credit facility will be computed based upon the average daily balance of such Indebtedness during such Four Quarter Period, or if such facility was created after the end of such Four Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation; and
- (c) interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, will be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

“*Consolidated Income Tax Expense*” means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with IFRS.

“*Consolidated Indebtedness*” means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company).

“*Consolidated Interest Expense*” means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with IFRS of, net of any interest income:

- (1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with IFRS, including, without limitation, the following (whether or not interest expense in accordance with IFRS):

- (a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness;
 - (b) any amortization of deferred financing costs;
 - (c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under IFRS; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to IFRS, such net benefits are otherwise reflected as a cash gain in Consolidated Net Income;
 - (d) all capitalized interest;
 - (e) the interest portion of any deferred payment obligation;
 - (f) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances;
 - (g) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company), whether or not such Guarantee or Lien is called upon; and
- (2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period; and
 - (3) the product of:
 - (x) cash and non-cash dividends paid, declared, accrued or accumulated on any Disqualified Capital Stock of the Company or a Restricted Subsidiary, except for dividends payable in the Company's Qualified Capital Stock or paid to the Company or to a Restricted Subsidiary, and
 - (y) a fraction, the numerator of which is one and the denominator of which is one minus the sum of the currently effective combined Federal, state, local and foreign tax rate applicable to the Company and its Restricted Subsidiaries.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with IFRS; provided that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;
- (2) net after-tax items classified as extraordinary gains or losses or income or expenses or charges;
- (3) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that the Company's equity in the net income of any Person will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (4) below); and except further that the Company's equity in the net loss of any Person will be included to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary;
- (4) solely for the purpose of determining the amount available for Restricted Payments under clause (3)(A) of *"—Covenants—Limitation on Restricted Payments,"* the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

- (5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;
- (6) any gain (or loss) from foreign exchange translation or change in net monetary position;
- (7) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; provided that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and
- (8) the cumulative effect of changes in accounting principles.

“*Consolidated Net Tangible Assets*” means the total of all assets appearing on our consolidated balance sheet less (i) all current liabilities (other than current maturities of long-term debt) and (ii) all intangibles.

“*Consolidated Non-cash Charges*” means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period, determined on a consolidated basis in accordance with IFRS (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

“*CSPCP*” means Cosco Shipping Ports Chancay Perú S.A., a company incorporated under the laws of Peru, to own, develop and construct the Chancay Port.

“*Covenant Defeasance*” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“*Covenant Suspension Event*” has the meaning set forth under “—Covenant Suspension.”

“*Currency Agreement*” means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Designation Amount*” has the meaning set forth under “—Covenants—Limitation on Designation of Unrestricted Subsidiaries” above.

“*Disqualified Capital Stock*” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

“*Equity Offering*” means an offering for cash, after the Issue Date, of Qualified Capital Stock of the Company or of any direct or indirect parent of the Company (to the extent the proceeds thereof are contributed to the common equity of the Company).

“*Event of Default*” has the meaning set forth under “—Events of Default.”

“*Excess Proceeds*” has the meaning set forth under “Covenants—Limitation on Asset Sales.”

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Existing Notes*” means the Company’s 5.375% Senior Notes due 2022.

“*Fair Market Value*” means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; provided that the Fair Market Value of any such asset or assets, if greater than US\$5.0 million, will be determined

conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

“*Fitch*” means Fitch Ratings Ltd. and its successors.

“*Four Quarter Period*” has the meaning set forth in the definition of Consolidated Fixed Charge Coverage Ratio above.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

- (1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that “*Guarantee*” will exclude endorsements for collection or deposit in the ordinary course of business. “*Guarantee*,” when used as a verb, has a corresponding meaning.

“*Hedging Obligations*” means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

“*Holder*” means the Person in whose name a Note is registered in the note register pursuant to the terms of the Indenture.

“*IFRS*” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board which are in effect from time to time.

“*Incur*” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and “*Incurrence*” and “*Incurred*” will have meanings correlative to the foregoing); provided that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Company and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

“*Indebtedness*” means, with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding the amount of the advance payments in sale agreements, whether these are accounted for as trade accounts payable or indebtedness in the ordinary course of business with a maturity of up to three (3) years);
- (5) all reimbursement obligations of such Person in respect of the face amount of letters of credit or other similar instruments (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1), (2) and (4) above) entered into in the ordinary course of business of such Person, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon,

such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

- (6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (11) below;
- (7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;
- (8) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);
- (9) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivables and related assets;
- (10) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; provided that:
 - (a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture;
 - (b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof; and
- (11) all liabilities recorded on the balance sheet of such Person in connection with any equity commitments, whether pursuant to letters of credit or otherwise, other than any such liabilities in connection with any equity contribution commitment that (i) is or would be permitted under the covenant “—Limitation on Restricted Payments” so long as treated as an Investment and (ii) the corresponding amount of the equity contribution commitment is deposited in a reserve account and is not recognized as cash, Cash Equivalents or marketable securities of the Person or any of its Subsidiaries in calculating the Consolidated Indebtedness thereof.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

The Company estimates that the amount of trade accounts payable or indebtedness in the ordinary course of business with a maturity of more than one (1) year and up to three (3) years pursuant to clause (4) above, as of September 30, 2020, was approximately US\$12.0 million.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

“*Investment*” means, with respect to any Person, any:

- (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) or performance guarantee to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);
- (2) capital contribution (including any commitment to make such capital contribution) (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or
- (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

“*Investment*” will exclude accounts receivable or deposits arising in the ordinary course of business. “Invest,” “Investing” and “Invested” have corresponding meanings.

For purposes of the “—Limitation on Restricted Payments” covenant, the Company will be deemed to have made an “Investment” in an Unrestricted Subsidiary at the time of its Unrestricted Subsidiary Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Unrestricted Subsidiary Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Unrestricted Subsidiary Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

“*Investment Grade Rating*” means a rating equal to or higher than (a) BBB-, in the case of S&P and Fitch, and (b) Baa3, in the case of Moody’s.

“*Issue Date*” means the first date of issuance of Notes under the Indenture.

“*Legal Defeasance*” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“*Lien*” means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); provided that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; provided that in no event shall an operating lease be deemed to constitute a Lien.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

- (1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);
- (2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;
- (3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale;
- (4) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and
- (5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

“*Non-Guarantor Designation*” has the meaning set forth under “—Covenants—Limitation on Designation of Non-Guarantor Restricted Subsidiaries” above.

“*Non-Guarantor Restricted Subsidiary*” has the meaning set forth under “—Covenants—Limitation on Designation of Non-Guarantor Restricted Subsidiaries.”

“*Obligations*” means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the Notes and the Subsidiary Guarantees, the Indenture.

“*OECD*” means the Organization of Economic Cooperation and Development.

“*Officer*” means, with respect to any Person, the chairman of the Board of Directors, president, chief executive officer, chief financial officer, chief operating officer, or any vice president, treasurer or secretary of such Person.

“*Officer’s Certificate*” means, in connection with any action to be taken by the Company or any Subsidiary Guarantor a certificate signed by an Officer of such Person in accordance and compliance with the terms of the Indenture and that is delivered to the Trustee.

“*Opinion of Counsel*” means a written opinion of counsel, who may be counsel for the Company (except as otherwise provided in the Indenture), obtained at the expense of the Company, a Surviving Entity or a Restricted Subsidiary, and who is reasonably acceptable to the Trustee.

“*Permitted Business*” means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business that is reasonably related, complementary, incidental or ancillary thereto or is an extension or development of any thereof.

“*Permitted Holders*” means one or more of the following (i) Glencore International, and (ii) any non-natural Person that is a direct or indirect Affiliate of any of the Persons referred to in the preceding clause (i) and with respect to which a Person or Persons listed in the preceding clause (i) owns the majority of the aggregate of the total voting power of the Voting Stock in such non-natural Person, on a fully diluted basis.

“*Permitted Indebtedness*” has the meaning set forth under clause (2) of “—Covenants—Limitation on Incurrence of Additional Indebtedness.”

“*Permitted Investments*” means:

- (1) any Investment in the Company or in a Restricted Subsidiary of the Company that is engaged in a Permitted Business;
- (2) any Investment in the Notes;
- (3) any Investment in Cash Equivalents;
- (4) any Investment by the Company or any Subsidiary of the Company in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary of the Company that is a Subsidiary Guarantor engaged in a Permitted Business, or
 - (b) such Person is merged or consolidated with or into, or transfers or conveys substantially all its assets to, or is liquidated into, the Company or a Restricted Subsidiary that is a Subsidiary Guarantor engaged in a Permitted Business;
- (5) Investments received as non-cash consideration in an Asset Sale made pursuant to and in compliance with the provisions of “—Covenants—Limitation on Asset Sales” or a disposition excluded under the definition of Asset Sale;
- (6) any Investment acquired solely in exchange for Qualified Capital Stock of the Company or the licensing of intangible property;
- (7) Hedging Obligations otherwise permitted under the Indenture;
- (8) (i) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business, (ii) Cash Equivalents or other cash management investments or liquid or portfolio securities pledged as collateral pursuant to the covenant described under the caption “—Covenants—Limitation on Liens,” (iii) endorsements for collection or deposit in the ordinary course of business, and

- (iv) securities, instruments or other obligations received in compromise or settlement of debts created in the ordinary course of business, or by reason of a composition or readjustment of debts or reorganization of another Person, or in satisfaction of claims or judgments;
- (9) Investments in Unrestricted Subsidiaries and joint ventures engaged in a Permitted Business in an aggregate amount that, taken together with all other Investments made in reliance on this clause, not to exceed US\$30.0 million (net of, with respect to the Investment in any particular Person, the cash return thereon received after the Issue Date as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Adjusted EBITDA), not to exceed the amount of Investments in such Person made after the Issue Date in reliance on this clause);
- (10) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date or an Investment consisting of any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date, or as otherwise permitted under the Indenture);
- (11) guarantees of Indebtedness permitted under “—Covenants—Limitation on Incurrence of Additional Indebtedness” and the creation of Liens on the assets of the Company or any Restricted Subsidiary in compliance with the covenant described under “—Covenants—Limitation on Liens”;
- (12) advances, loans or extensions of trade credit in the ordinary course of business by the Company or any of its Restricted Subsidiaries;
- (13) payroll, travel and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;
- (14) Investments in CSPCP in connection with the Chancay Port Project in an aggregate amount that do not exceed US\$50.0 million (net of, with respect to the Investment in any particular Person, the cash return thereon received after the Issue Date as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Adjusted EBITDA), not to exceed the amount of Investments in such Person made after the Issue Date in reliance on this clause); and
- (15) in addition to Investments listed above, Investments in Persons engaged in Permitted Businesses in an aggregate amount, taken together with all other Investments made in reliance on this clause (15), not to exceed US\$15.0 million.

“*Permitted Liens*” means any of the following Liens:

- (1) Liens existing on the Issue Date and any extension, renewal or replacement thereof;
- (2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by IFRS shall have been made in respect thereof;
- (3) (a) licenses, sublicenses, leases or subleases granted by the Company or any of its Restricted Subsidiaries to other Persons not materially interfering with the conduct of the business of the Company or any of its Restricted Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Company or any Restricted Subsidiary is a party;
- (4) Liens Incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

- (5) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (6) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Company or any of its Restricted Subsidiaries;
- (7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;
- (9) Liens for taxes, assessments or other governmental charges not yet subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings, provided that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (10) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (11) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Company or its Restricted Subsidiaries and any Liens thereon;
- (12) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;
- (13) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;
- (14) Liens securing Hedging Obligations;
- (15) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "—Covenants—Limitation on Liens" not incurred pursuant to clause (18) or (20) below and which Indebtedness has been Incurred in accordance with "—Covenants—Limitation on Incurrence of Additional Indebtedness"; provided that such new Liens:
 - (a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and
 - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary and permitted to be Incurred under the Indenture;
- (17) Liens securing Acquired Indebtedness Incurred in accordance with "—Covenants—Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; provided that:
 - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary; and

- (b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;
- (18) Liens securing Indebtedness permitted to be incurred pursuant to clause 2(m) under “—Covenants—Limitation of Incurrence of Additional Indebtedness;” provided that:
 - (a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, constructed, improved or leased; and
 - (b) the Lien securing such Indebtedness will be created within 365 days of such acquisition, construction, improvement or lease;
- (19) Liens securing the Notes and any Subsidiary Guarantees;
- (20) Sale and Leaseback Transactions pursuant to the proviso at the end of the covenant described under the caption “—Covenants—Limitation on Sale and Leaseback Transactions”;
- (21) Liens arising from precautionary Uniform Commercial Code financing statement and similar filings in other jurisdictions regarding operating leases entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;
- (22) Liens securing obligations to the Peruvian Ministry of Energy and Mines or other governmental authorities incurred in the ordinary course of business, including but not limited to mining closure plans;
- (23) Liens securing Indebtedness incurred for the financing of the construction or development of the Chancay Port, in respect of which the Person or Persons to whom such Indebtedness is owed have no recourse to the assets or property of the Company or any Restricted Subsidiary for the payment of any sum relating to such Indebtedness other than the Capital Stock and other ownership interests of the Company or its Restricted Subsidiaries in CSPCP or the assets and property owned by CSPCP; and
- (24) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of US\$130.0 million or 15% of the Company’s Consolidated Net Tangible Assets (or the equivalent in other currencies).

“*Person*” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Post-Petition Interest*” means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

“*Preferred Stock*” means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“*Purchase Money Indebtedness*” means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; provided that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

“Qualified Capital Stock” means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

“Qualified Merger Jurisdiction” means (i) the Republic of Panama; (ii) the United States or any state or territory thereof; or (iii) any state member of the OECD whose sovereign debt is rated BBB or higher by S&P and Baa2 or higher by Moody’s.

“Refinance” means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. *“Refinanced”* and *“Refinancing”* have correlative meanings.

“Rating Agencies” means (i) S&P, (ii) Moody’s and (iii) Fitch. In the event that any of S&P, Moody’s or Fitch is no longer in existence or issuing ratings, such organization, as the case may be, may be replaced by an internationally recognized statistical rating organization designated by the Company with notice to the Trustee.

“Rating Date” means in connection with a Change of Control Triggering Event, that date which is ninety (90) days prior to the earlier of (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

“Rating Decline” means in connection with a Change of Control Triggering Event, the occurrence, on or within ninety (90) days (which period will be (i) extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change as a result of a Change of Control or (ii) reduced in the event of a Rating Reaffirmation to the date on which the Rating Reaffirmation has been obtained) after the earlier to occur of public notice of (i) the occurrence of a Change of Control or (ii) the intention by the Company or any other Person or Persons to effect a Change of Control, of any of the events listed below, in each case expressly as a result of such Change of Control:

- (a) in the event the Notes have an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the Notes by any such Rating Agency will be changed to below an Investment Grade Rating;
- (b) in the event the Notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the Rating Date, the rating of the Notes by such Rating Agency will be changed to below an Investment Grade Rating; or
- (c) in the event the Notes are rated below an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the Notes by any such Rating Agency will be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

“Rating Reaffirmation” means, in connection with a Change of Control, a written reaffirmation from each Rating Agency then rating the Notes stating that the credit rating on the Notes, which was in effect immediately prior to a public notice of such Change of Control or of the intention of the Company or any Person to effect such Change of Control, will not be decreased as a result of such Change of Control.

“Refinancing Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary (including any successive refinancing) so long as:

- (1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);
- (2) such new Indebtedness has:
 - (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and

- (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
- (3) if the Indebtedness being Refinanced is:
 - (a) Indebtedness of the Company or any Subsidiary Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company or such Subsidiary Guarantor; and
 - (b) Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinated to the Notes or any relevant Subsidiary Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“*Restricted Payment*” has the meaning set forth under “—Covenants—Limitation on Restricted Payments.”

“*Restricted Subsidiary*” means any Subsidiary of the Company which at the time of determination is not an Unrestricted Subsidiary.

“*Reversion Date*” has the meaning set forth under “—Covenant Suspension.”

“*Revocation*” has the meaning set forth under “—Covenants—Limitation on Designation of Unrestricted Subsidiaries.”

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

“*S&P*” means Standard & Poor’s Rating Service or any successor thereto.

“*Senior Indebtedness*” means the Notes and the Subsidiary Guarantees and any other Indebtedness of the Company or any Restricted Subsidiary that ranks equal in right of payment with the Notes or the relevant Subsidiary Guarantee, as the case may be.

“*Significant Subsidiary*” means a Restricted Subsidiary of the Company that would constitute a “Significant Subsidiary” of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“*Subordinated Indebtedness*” means, with respect to the Company or any Restricted Subsidiary, any Indebtedness of the Company or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the Notes or the relevant Subsidiary Guarantee, as the case may be.

“*Subsidiary*” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person’s outstanding Voting Stock.

“*Subsidiary Guarantee*” means the unconditional guarantee, on a joint and several basis, of the full and prompt payment of all Obligations of the Company under the Indenture and the Notes, in accordance with the terms of the Indenture.

“*Subsidiary Guarantor*” means (i) each of Compañía Minera Chungar, Empresa Administradora Cerro and Óxidos de Pasco, and (ii) any other Subsidiary of the Company that provides a Subsidiary Guarantee in accordance with the provisions of the Indenture after the Issue Date.

“*Surviving Entity*” has the meaning set forth under “—Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*Suspended Covenants*” has the meaning set forth under “—Covenant Suspension.”

“*Suspension Period*” has the meaning set forth under “—Covenant Suspension.”

“Unrestricted Subsidiary” means any Subsidiary of the Company designated as an Unrestricted Subsidiary pursuant to “—Covenants—Limitation on Designation of Unrestricted Subsidiaries.” Any such Unrestricted Subsidiary Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

“Unrestricted Subsidiary Designation” has the meaning set forth under “—Covenants—Limitation on Designation of Unrestricted Subsidiaries” above.

“Voting Stock” means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term “normally entitled” means without regard to any contingency.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

BOOK-ENTRY, DELIVERY AND FORM

The certificates representing the notes will be issued in fully registered form without interest coupons. Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by permanent notes in global, fully registered form without interest coupons (each, a “Restricted Global Note”). The notes sold in offshore transactions in reliance upon Regulation S under the Securities Act will initially be represented by permanent notes in global, fully registered form without interest coupons (each, a “Regulation S Global Note,” together with the Restricted Global Notes, the “Global Notes”). The Global Notes will be deposited with the trustee as a custodian for DTC, as depositary, and registered in the name of a nominee of such depositary.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the indenture and will bear the applicable legend regarding such restrictions set forth under the heading “Transfer Restrictions—Legends” herein. Qualified Institutional Buyers (“QIBs”) or non-U.S. purchasers may elect to take a Certificated Security (as defined below under “Certificated Securities”) instead of holding their interests through the Global Notes (collectively referred to herein as the “Non—Global Purchasers”), which certificated notes will be ineligible to trade through DTC, only in the limited circumstances described below. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary (“participants”) and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the initial purchasers and ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture governing the notes. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC’s procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest on the Global Notes, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities,

which it will distribute to its participants and which will be legended as set forth under the heading “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a “banking organization” within the meaning of the New York banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants’ accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons (“Certificated Securities”) only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depository for the Global Note and we fail to appoint a successor depository within 90 days of such notice; or
- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges between Regulation S Notes and Restricted Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which Global Note the transfer is being made, the seller may be required to provide certain written certifications in the form provided in the indenture. A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Restricted Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

FORM OF NOTES, CLEARING AND SETTLEMENT

Global Notes

The notes will be issued in the form of two registered notes in global form, without interest coupons (the “global notes”), as follows:

- notes sold to qualified institutional buyers under Rule 144A will be represented by the Rule 144A global note; and
- notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by the Regulation S global note.

Upon issuance, each of the global notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC (“DTC participants”) or persons who hold interests through DTC participants (including Euroclear and Clearstream). We expect that under procedures established by DTC:

- upon deposit of each global note with DTC’s custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under “Transfer Restrictions.”

Exchanges Between the Global Notes

Beneficial interests in one global note may generally be exchanged for interests in another global note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which global note the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture.

A beneficial interest in a global note that is transferred to a person who takes delivery through another global note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law,
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;

- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC (including Euroclear or Clearstream).

So long as DTC or its nominee is the registered owner of a global note, DTC or its nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the registered owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the notes represented by a global note will be made by the trustee to DTC’s nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC’s procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a global note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear or Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but

will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants of indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depository for the global notes and a successor depository is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934 and a successor depository is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indenture should occur, including the occurrence and continuance of an event of default with respect to the notes, and a request for such exchange has been made by the holder.

In all cases, certificated notes delivered in exchange for any global note will be registered in the names, and issued in any approved denominations, requested by the depository and will bear a legend indicating the transfer restrictions of that particular global note.

For information concerning paying agents and transfer agents for any notes in certificated form, see “Description of Notes—Payment Provisions—Paying Agents” and “—Transfer Agents.”

TAXATION

General

This section summarizes the principal Peruvian tax and U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes. This summary does not provide a comprehensive description of all tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Peru.

This summary is based on the tax laws of Peru and the United States as in effect on the date of this listing memorandum, as well as regulations, rulings and decisions of Peru and the United States available on or before that date and now in effect. Those laws, rules, regulations and decisions are subject to change and changes could apply retroactively, which could affect the continued accuracy of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to the Peruvian, U.S. or other tax consequences of the purchase, ownership and disposition of the notes or beneficial interests therein. They should especially consider how the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws, could apply to them in their particular circumstances.

Peruvian Taxation

The discussion in this listing memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of the listing memorandum. Each investor should seek advice based on their particular circumstances from an independent tax advisor.

The following is a general summary of the material consequences under Peruvian income tax law, as in effect as of the date of this listing memorandum, derived from the purchase, ownership and disposition of beneficial interests in the Notes by non-Peruvian holders. For purposes of this section, “non-Peruvian holder” means either: (i) an individual who is not domiciled in Peru or (ii) a legal entity that is not incorporated under the laws of Peru, unless the debt securities are assigned to a branch, agent, representative or permanent establishment in Peru of a foreign entity. For purposes of Peruvian taxation, an individual is deemed domiciled in Peru if he or she (i) is a Peruvian citizen who has regular residence in Peru or (ii) is not a Peruvian citizen but has remained present in Peru for more than 183 days within any 12-month period.

This summary does not purport to address all Peruvian income tax consequences that may be applicable or relevant to particular non-Peruvian holders.

Peru has currently in force treaties to avoid double taxation with the Andean Community (Bolivia, Colombia and Ecuador), Brazil, Canada, Chile, Switzerland, South Korea, Mexico, Portugal and Japan. Non-Peruvian holders that are domiciled in any of these countries should consult an independent tax advisor regarding the application of the treaties.

Interest

Non-Peruvian Holders are subject to income tax in Peru only on Peruvian source income. For these purposes, interest payments derived from the Notes are considered Peruvian source income.

Interest payments derived from the Notes received by non-Peruvian holders that are entities will be subject to Peruvian withholding income tax at a rate of 4.99%. Similarly, interest payments derived from the Notes received by non-Peruvian holders who are individuals is subject to withholding income tax at a rate of 4.99%, provided that interest does not derive from a transaction “from or through a tax haven or non-cooperative jurisdictions.” If the latter requirement is not fulfilled, the applicable withholding rate will be 30%. In addition, in order to qualify for the preferential withholding income tax rate of 4.99%, the non-Peruvian holders and the Company shall not be deemed related parties.

Capital Gains

With respect to non-Peruvian holders, any gain arising from the sale, exchange or other disposition of the beneficial interest in the Notes would not be subject to Peruvian income tax. Prospective purchasers should discuss with their own tax advisors the application of any income tax described herein to their particular situations.

Financial Transaction Tax (“ITF”)

ITF is levied on, among other transactions, any transfer, turnover, deposit, credit or debit from accounts opened by individuals or corporations in the Peruvian financial system. Currently, the tax rate is 0.005%.

Value-Added Tax

Interest paid on the Notes will be exempted from Peruvian value-added tax (*Impuesto General a las Ventas*).

Moreover, the sale, exchange or disposition of the Notes is not subject to any Peruvian value-added tax.

Certain U.S. Federal Income Tax Consequences

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. This discussion applies only to U.S. Holders (as defined below) that purchase the notes at the initial issue price indicated on the cover of this listing memorandum and that hold the notes as “capital assets” (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the “IRS”), and judicial decisions, in each case as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion is intended for general information only and does not purport to address all U.S. federal income tax consequences that may be relevant to a particular U.S. Holder and each U.S. Holder is urged to consult its own tax advisor regarding its specific tax situation. The discussion does not address the tax consequences that may be relevant to U.S. Holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- regulated investment companies or real estate investment trusts;
- partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- persons that hold the notes as part of a hedge, straddle, conversion or other integrated transaction; or
- persons who tender notes in the Tender Offer.

Further, this discussion does not address the alternative minimum tax consequences of holding the notes or the potential application of the Medicare tax on net investment income. In addition, this discussion does not address

the state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes or any aspects of U.S. federal tax law other than income taxation.

As used herein, the term “U.S. Holder” means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Partnerships that are beneficial owners of notes, and partners in such partnerships, should consult their tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

Interest

Interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any additional amounts, will be includible in gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder’s regular method of tax accounting for U.S. federal income tax purposes. If Peruvian or other non-U.S. income taxes are withheld on interest payments on the notes (including any income taxes withheld on any additional amounts paid), a U.S. Holder will also be treated as having received an amount equal to the amount of such income taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of interest income included in gross income by a U.S. Holder would be greater than the amount of cash actually received by the U.S. Holder in such instance. Interest on the notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute “passive category” income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), if any foreign income taxes are withheld on interest payments on the notes, a U.S. Holder generally will be entitled to a foreign tax credit in respect of any such foreign income taxes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign income taxes, the availability of deductions, involves the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit (or the availability of deductions) under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon a sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in gross income) and the U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss will generally be capital gain or loss and will be long-term capital gain or long-term capital loss if the notes have been held for more than one year at the time of such sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations under the Code.

If any gain from the sale, exchange or other taxable disposition of notes is subject to Peruvian or other non-U.S. income tax, a U.S. Holder may not be able to credit such tax against its U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. Prospective investors should consult their own tax advisors as to the U.S. federal income tax (including foreign tax credit) implications of such sale, exchange or other taxable disposition of a note.

U.S. Backup Withholding and Information Reporting

Information reporting requirements generally apply to payments of principal of, and interest (including additional amounts, if any) on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders (other than exempt recipients). Backup withholding will be required on payments on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals or domestic entities may be required to report information relating to an interest in the notes by filing IRS Form 8938 with their U.S. federal income tax return, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the notes.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial Purchasers	Principal Amount of Notes
Banco BTG Pactual S.A. – Cayman Branch	US\$166,250,000
Citigroup Global Markets Inc.	US\$118,750,000
Santander Investment Securities Inc.	US\$190,000,000
Total	US\$475,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the offering may be terminated.

We have agreed to indemnify the initial purchasers and their affiliates against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The initial purchasers may offer and sell the notes through any of their affiliates.

Commissions and Discounts

The initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this listing memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The notes are a new issue of securities with no established trading market. Although we have applied to have the notes listed on Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot assure you that an active market for the notes will develop. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a

discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this listing memorandum, without first obtaining the prior written consent of Banco BTG Pactual S.A. – Cayman Branch, Citigroup Global Markets Inc. and Santander Investment Securities Inc. directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open “put equivalent position,” or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any of our debt securities or securities exchangeable for or convertible into our debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the notes or cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Settlement

We expect that delivery of the Notes will be made to investors on or about February 11, 2021, which will be the fifth business day following the date of this prospectus supplement (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market will be required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding two business days will be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Notice to Prospective Investors in the European Economic Area

This listing memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area (“EEA”) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in the EEA of notes which are the subject of the offering contemplated in this listing memorandum may only do so to legal entities which are qualified investors as defined in the Prospectus Regulation, provided that no such offer of notes shall require the issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case in relation to such offer.

Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes to any legal entity which is not a qualified investor as defined in the Prospectus Regulation. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through

any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this listing memorandum.

The notes have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation, and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Each person in the EEA who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this listing memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Joint Bookrunner and the issuer that it and any person on whose behalf it acquires notes is not a “retail investor” in the EEA (as defined above).

Notice to Prospective Investors in the United Kingdom

This listing memorandum has been prepared on the basis that any offer of the notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of the notes under section 85 of the FSMA. Accordingly any person making or intending to make an offer in the UK of notes which are the subject of the offering contemplated in this listing memorandum may only do so to legal entities which are qualified investors as defined in the UK Prospectus Regulation, provided that no such offer of notes shall require the issuer or any of the initial purchasers to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case in relation to such offer.

Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes to any legal entity which is not a qualified investor as defined in the UK Prospectus Regulation. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this listing memorandum.

Notes have not been and will not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation, and

- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Each person in the UK who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this listing memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Joint Bookrunner and the issuer that it and any person on whose behalf it acquires notes is not a “retail investor” in the United Kingdom (as defined above).

Each initial purchaser intends to:

- (a) communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the issuer or the guarantors; and
- (b) comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

This listing memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this listing memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in Hong Kong

This listing memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The securities will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This listing memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this listing memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of

securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Solely for the purposes of its obligations pursuant to Sections 309(B)(1)(a) and 309(B)(1)(c) of the SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAAN16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Peru

The notes will not be subject to a public offering in Peru. This listing memorandum and the notes have not been, and will not be, registered with or approved by the SMV or the BVL. Accordingly, the notes cannot be offered or sold in Peru, except if (i) the notes are previously registered with the SMV or (ii) such offering is considered to be a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively to institutional investors (as defined under Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined under Peruvian law) must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in the notes. No offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in Peru except in compliance with the securities laws thereof.

Notice to Prospective Investors in Brazil

The offer and sale of the notes will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the notes have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the interests in Brazil is not legal without such prior registration. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the notes is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the notes to the public in Brazil.

This offer of the notes is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Notice to Prospective Investors in Chile

The offer of the notes will begin on February 4, 2021 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 4 de febrero del 2021 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this listing memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Colombia

The notes will not be registered in Colombia on the National Registry (*Registro Nacional de Valores y Emisores*) maintained by the Superintendencia Financiera de Colombia and, accordingly, they may not be offered to persons in Colombia except pursuant to a public offering pursuant to Section 6.11.1.1.1 of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

Notice to Prospective Investors in Taiwan

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan, pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in any manner which would constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or would otherwise require registration with or the approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

Other Relationships

The initial purchasers are acting as dealer managers in the Tender Offer. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may

hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, the initial purchasers and/or their affiliates are or may be lenders, and in some cases agents or managers for the lenders, under credit facilities made to us. In particular, certain of the initial purchasers and/or certain of their affiliates are currently lenders under the Credit Facility and the Credit Agreement. As such, any amounts that we repay under the Credit Facility and the Credit Agreement with the proceeds of this offering of notes corresponds to amounts payable to certain of the initial purchasers and/or certain of their affiliates. Because such initial purchasers and/or certain of their affiliates will receive a portion of the proceeds from this offering, such initial purchasers may be deemed to have a “conflict of interest” with us.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the resale of the notes, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the notes.

None of the notes nor any of the guarantees has been registered under the Securities Act or any state securities laws, and they may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (A) to “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act, or Rule 144A) (“QIBs”) in compliance with Rule 144A and (B) outside the United States to persons other than US persons (“non-US purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-US beneficial owners (other than an estate or trust)) in reliance upon Regulation S under the Securities Act, or Regulation S. As used herein, the terms “United States” and “US person” have the meanings given to them in Regulation S.

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of the notes) will be deemed to have represented and agreed as follows:

1. It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-US purchaser that is outside the United States (or a non-US purchaser that is a dealer or other fiduciary as referred to above).
2. It acknowledges that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act; that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except as set forth below.
3. It shall not resell or otherwise transfer any of such notes within one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the original issuance of the notes except (A) to the Company or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 904 under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (E) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the Company so requests), or (F) pursuant to an effective registration statement under the Securities Act.
4. It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.
5. It acknowledges that prior to any proposed transfer of notes in certificated form or of beneficial interests in a note in global form (a “Global Note”) (in each case other than pursuant to an effective registration statement) the holder of notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the indenture.
6. It understands that (i) the following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable

securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above.

The foregoing legend may be removed from this Note only with the consent of the issuer.”;

and (ii) the following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note.”

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see “Form of Notes, Clearing and Settlement.”

7. It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes.

8. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

9. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes is no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

10. Either (i) no assets of a Plan (as defined in “ERISA Considerations”) or non-U.S., governmental or church plan have been used to acquire the notes or an interest therein or (ii) the acquisition, holding and disposition of such notes or an interest therein by the purchaser does not constitute a non-exempt prohibited transaction under Section 406 of the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the US Internal Revenue Code of 1986, as amended (the “Code”), or violation of any Similar Law (as defined in “ERISA Considerations”).

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for us by Shearman & Sterling LLP, our United States counsel, and by Payet, Rey, Cauvi, Pérez Abogados, our Peruvian Counsel, and for the Initial Purchasers by Linklaters LLP, United States counsel for the Initial Purchasers, and by Estudio Ehecopar, a member firm of Baker & McKenzie International, Peruvian counsel for the Initial Purchasers. Shearman & Sterling LLP may rely without independent investigation as to all matters of Peruvian law on Payet, Rey, Cauvi, Pérez Abogados and Linklaters LLP may rely without independent investigation as to all matters of Peruvian law on Estudio Ehecopar, a member firm of Baker & McKenzie International.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2019 and 2018 and for each of the two years ended December 31, 2018 and 2019 included in this listing memorandum have been audited by Velásquez, Mazuelos y Asociados S. Civil de R.L., member firm of Deloitte Touche Tohmatsu Limited, independent auditors, as indicated in their report appearing herein.

LISTING AND GENERAL INFORMATION

The creation and issuance of the notes have been authorized by our shareholders on February 1, 2021 and by the resolutions of our board of directors dated February 1, 2021.

Except as disclosed in this listing memorandum, there are no litigation or arbitration proceedings against or affecting us or any of our respective assets, nor are we aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

Except as disclosed in this listing memorandum, there has been no material adverse change or any development reasonably likely to involve a material adverse change, in our condition or the condition of our guarantors (financial or otherwise) or general affairs or prospects since September 30, 2020 that is material in the context of the issuance of the notes.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

For so long as any of the notes remain outstanding, copies of the following documents will be obtainable and available free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the last page of this listing memorandum:

- the indenture relating to the notes and our and the guarantors' by-laws (*estatutos*);
- the financial statements included in this listing memorandum; and
- all our future annual and quarterly unaudited interim condensed consolidated financial statements.

As of September 30, 2020, our non-guarantor subsidiaries represented 4% of our consolidated Adjusted EBITDA and 8% of consolidated assets of the Company.

Each of the purchase agreement among the Company, the subsidiary guarantors and the initial purchasers, the indenture and the notes are governed by the laws of the State of New York.

The global notes representing the notes have been accepted for clearing and settlement by Clearstream and Euroclear. The Rule 144A Global Note has been assigned ISIN US92863UAB26, CUSIP 92863U AB2 and Common Code 229899295. The Regulation S Global Note has been assigned ISIN USP98047AC08, CUSIP P98047 AC0 and Common Code 229900269.

Under New York law, claims against the issuer for the payment of principal, premium, if any, or interest on the notes must be made within six years from the due date for payment thereof.

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Volcan Compañía Minera S.A.A. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

As of September 30, 2020 and for the nine-month period then ended

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

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VOLCAN COMPANIA MINERA S.A.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2020 (UNAUDITED) AND DECEMBER 31, 2019 (AUDITED) (In thousands of U.S. dollars (US\$000))

	Notes	30/09/2020 US\$000 (Unaudited)	31/12/2019 US\$000 (Audited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	97,881	33,828
Trade accounts receivable (net)	7	21,507	36,159
Other accounts receivable (net)	8	65,398	73,906
Other financial assets		-	5,416
Inventories (net)	10	<u>37,142</u>	<u>36,709</u>
		221,928	186,018
Assets classified as held for sale	13	<u>300,051</u>	<u>301,986</u>
Total current assets		<u>521,979</u>	<u>488,004</u>
NON-CURRENT ASSETS:			
Other accounts receivable	8	7,152	7,990
Investment in associate and Financial investments	9	191,331	193,794
Property, plant and equipment (net)	11	647,160	676,790
Right-of-use assets		11,150	22,463
Mining concessions, exploration and development costs and other intangibles (net)	12	<u>780,229</u>	<u>780,122</u>
Total non-current assets		<u>1,637,022</u>	<u>1,681,159</u>
TOTAL		<u>2,159,001</u>	<u>2,169,163</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Bank overdrafts
Financial obligations
Trade accounts payable
Other accounts payable
Other financial liabilities

Liabilities directly associated with assets classified as held for sale

Total current liabilities

NON-CURRENT LIABILITIES:

Financial obligations
Provisions
Deferred income tax

Total non-current liabilities

Total liabilities

EQUITY:

Issued capital stock
Treasury shares
Legal reserve
Share premium
Unrealized earnings
Retained earnings

Total net equity

TOTAL

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

VOLCAN COMPANIA MINERA S.A.A. AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of U.S. dollars (US\$000))**

	Notes	30/09/2020	30/09/2019
		US\$000	US\$000
		(Unaudited)	(Unaudited)
Net sales	19	355,555	536,271
Cost of sales	20	<u>(355,791)</u>	<u>(453,545)</u>
Gross profit		(236)	82,726
Administrative expenses		(26,783)	(40,204)
Selling expenses		(10,814)	(16,734)
Other income	21	28,575	51,925
Other expenses	21	<u>(19,251)</u>	<u>(43,474)</u>
Operating (loss) profit		(28,509)	34,239
Financial income	23	1,614	465
Financial expenses	23	<u>(41,033)</u>	<u>(36,472)</u>
Loss before income tax		(67,928)	(1,768)
Income tax expense	24	<u>(1,758)</u>	<u>(15,522)</u>
Loss for the period		<u>(69,686)</u>	<u>(17,290)</u>
Weighted average of the number of outstanding shares (in thousands)	25	<u>3,857,602</u>	<u>3,857,641</u>
Basic and diluted loss per share	25	<u>(0.018)</u>	<u>(0.004)</u>

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

VOLCAN COMPANIA MINERA S.A.A. AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of U.S. dollars (US\$000))**

	<u>30/09/2020</u> US\$000 (Unaudited)	<u>30/09/2019</u> US\$000 (Unaudited)
Net loss for the period	(69,686)	(17,290)
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that can be subsequently reclassified to the statement of profit or loss:		
Unrealized loss on investments in equity instruments	(2,231)	(8,712)
Deferred income tax	<u>658</u>	<u>2,570</u>
Total other comprehensive loss that can be subsequently reclassified to the statement of profit or loss	<u>(1,573)</u>	<u>(6,142)</u>
Total comprehensive loss, net of income tax	<u>(71,259)</u>	<u>(23,432)</u>

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

VOLCAN COMPANIA MINERA S.A.A. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019 (In thousands of U.S. dollars (US\$000))

	Issued capital stock US\$000 Note 18 (a)	Treasury stock US\$000 Note 18 (b)	Other capital reserves US\$000 Note 18 (c)	capital reserve US\$000 Note 18 (d)	Revalua US\$000 Note 18 (e)
Balance as of January 1, 2019 (Audited)	1,134,300	(61,285)	1,055	(172,801)	30
Comprehensive loss					
Net loss for the period	-	-	-	-	-
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-
Derecognition of Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.)	-	-	-	-	(30)
Others	-	363	-	(405)	-
Balance as of September 30, 2019 (Unaudited)	<u>1,134,300</u>	<u>(60,922)</u>	<u>1,055</u>	<u>(173,206)</u>	
Balance as of January 1, 2020 (Audited)	1,134,300	(60,926)	11,755	(173,217)	
Comprehensive loss					
Net loss for the period	-	-	-	-	-
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-
Others	-	(4)	-	(12)	-
Balance as of September 30, 2020 (Unaudited)	<u>1,134,300</u>	<u>(60,930)</u>	<u>11,755</u>	<u>(173,229)</u>	

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

VOLCAN COMPANIA MINERA S.A.A. AND SUBSIDIARIES**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of U.S. dollars (US\$000))**

	<u>30/09/2020</u> <u>US\$000</u> <u>(Unaudited)</u>	<u>30/09/2019</u> <u>US\$000</u> <u>(Unaudited)</u>
OPERATING ACTIVITIES:		
Collection from:		
Sales	417,564	621,904
Reimbursement of tax credit benefits	14,417	15,753
Hedging transactions	12,230	-
Payments to/for:		
Suppliers and third parties	(294,498)	(373,597)
Employees	(34,597)	(78,946)
Income tax	(5,916)	(10,521)
Royalties	<u>(3,763)</u>	<u>(6,297)</u>
Net cash and cash equivalents provided by operating activities	<u>105,437</u>	<u>168,296</u>
INVESTMENT ACTIVITIES:		
Collection from:		
Other investment activities	-	1,625
Payments for:		
Préstamos otorgados a asociadas		
Purchase of property, plant and equipment	(41,405)	(72,437)
Purchase of intangible assets	<u>(40,971)</u>	<u>(68,413)</u>
Net cash and cash equivalents used in investment activities	<u>(82,376)</u>	<u>(139,225)</u>
FINANCING ACTIVITIES:		
Collection from:		
Financial obligations	417,667	120,000
Other financial liabilities	4,756	25,640
Payments for:		
Financial obligations	(302,611)	(139,765)
Overdrafts and other financial liabilities	(31,812)	(11,107)
Interests	(38,331)	(48,217)
Dividends	<u>-</u>	<u>(43)</u>
Net cash and cash equivalents (provided by) used in financing activities	<u>49,669</u>	<u>(53,492)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	72,730	(24,421)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>33,828</u>	<u>62,950</u>
CASH AND CASH EQUIVALENTS CLASSIFIED AS HELD FOR SALE	<u>(8,677)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>97,881</u>	<u>38,529</u>

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

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 (UNAUDITED) AND DECEMBER 31, 2019

Amounts expressed in thousands of U.S. dollars, unless otherwise indicated

1. INCORPORATION, ECONOMIC ACTIVITY, DESCRIPTION OF SUBSIDIARIES, OTHER CONTRACTUAL MATTERS AND SIGNIFICANT EVENTS

(a) Incorporation and economic activity

Volcan Compañía Minera S.A.A. (hereinafter “the Company”) is a subsidiary of Glencore AG, which is a subsidiary of Glencore Plc., a company domiciled in Switzerland, hereinafter the Parent, owner of 63% of class A voting common shares and an economic interest of 23%, excluding treasury shares.

The Company was incorporated on February 1, 1998 in Lima, Peru.

Total class A voting common 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 concessions and the extraction, concentration, treatment and commercialization of polymetallic minerals. The economic activity of its Subsidiaries is explained in paragraph (c).

The Company and the Subsidiaries engaged in the mining sector, operate the mining units of Yauli, Animon, Alpamarca, Cerro and Oxidos in the departments of Cerro de Pasco, Junín and Lima. The Subsidiaries engaged in the electric power generation business have authorizations and electric power generation concessions for self-consumption in their mining operations of Animon and for selling to third parties through firm power or spot price agreements. Subsidiaries Huanchor and EGERBA engaged in the electric power generation business operate in the department of Lima and are connected to SEIN.

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

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

(b) Description of Subsidiaries

The Subsidiaries, which are included in the accompanying unaudited interim condensed consolidated financial statements, are presented below:

Consolidated Subsidiaries and economic activity	Direct and indirect interest in ownership		Country of domicile
	As of	As of	
	30/09/2020	30/09/2019	
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Peru
Óxidos de Pasco S.A.C. (4)	100.00	100.00	Peru
Empresa Administradora de Cerro S.A.C. (4)	100.00	100.00	Peru
Empresa Explotadora de Vinchos Ltda. S.A.C.	100.00	100.00	Peru
Minera Aurífera Toruna S.A.C. (1)	80.00	80.00	Peru
Minera San Sebastián AMC S.R.L.	100.00	100.00	Peru
Compañía Minera Vichaycocha S.A.C.	100.00	100.00	Peru
Electric power generation:			
Hidroeléctrica Huanchor S.A.	100.00	100.00	Peru
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	100.00	100.00	Peru
Compañía Hidroeléctrica Tingo S.A. (3)	100.00	100.00	Peru
Investments in general:			
Roquel Global S.A.C.	100.00	100.00	Peru
Corporación Logística Chancay S.A.C.	100.00	100.00	Peru
Remediadora Ambiental S.A.C. (4)	100.00	100.00	Peru
Compañía Industrial Limitada de Huacho S.A.	96.41	96.41	Peru
Empresa Minera Paragsha S.A.C.	100.00	100.00	Peru

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
(2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
(3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
(4) Subsidiaries classified as assets held for sale (Note 13).

Following, a description of the economic activity of the subsidiaries:

(b.1) Mining exploration and operation

Compañía Minera Chungar S.A.C.

This subsidiary has two mining units, Animon and Alpamarca, located in the department of Pasco and is engaged in the exploration, development and operation of mineral deposits, basically with contents of zinc, copper and lead. It has 226 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 28.

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.

Óxidos de Pasco S.A.C.

This subsidiary is currently engaged in the treatment of oxidized minerals at a leach pad. This subsidiary has one benefit concession with an indefinite term.

Empresa Administradora de Cerro S.A.C.

This subsidiary is engaged in the exploration, development and operation of mineral deposits with contents of zinc and lead. Currently, the Subsidiary processes stockpiles since its mining operations have stopped. It conducts its activities in its mining unit Cerro and has 35 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 27.

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

This subsidiary does not perform mining activities since 2015 because Management decided to redirect its activities in other Subsidiaries of the Company. As from 2019, Management decided to conduct explorations to reconsider the potential of its deposit to proceed with the development and operation provided it is viable and profitable; otherwise, it will enter into a simple reorganization process in the short term and will be absorbed by an operating subsidiary of the Company in order to search for synergies for the development of its projects. This subsidiary has 5 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 27.

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

These subsidiaries were incorporated for the exploration, development and operation of mineral deposits being their main activity, the exploration in their mining concessions through the financing of the Company and Subsidiaries. No activities have been conducted in 2019.

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

Subsidiaries Toruna, Minera San Sebastián and Compañía Minera Vichaycocha have 7, 4 and 204 mining concessions, respectively, with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 27.

(b.2) Electric power generation

Hidroeléctrica Huanchor S.A.C.

It is mainly engaged in the sale of energy through the operation and maintenance of electric transmission system generation plants. For this purpose, it has the Huanchor hydroelectric power plant of 19.632 MW and mini hydroelectric power plant of Tamboraque of 1.2 MW, both located in the district of San Mateo, province of Huarochiri, Lima. This subsidiary has a definite electrical concession.

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

It is mainly engaged in the sale of energy through the operation and maintenance of Rucuy hydroelectric power plant of 20 MW, located in the district of Pacaraos, province of Huaral, department of Lima. This plant stopped its operations since March 2017 because of El Niño phenomenon, which caused damages in the penstock and the transmission line. The hydroelectric power plant of Rucuy resumed its operations in the first semester of 2019. This subsidiary has a definite electrical concession.

Compañía Hidroeléctrica Tingo S.A.

It is engaged in the operation and maintenance of generation plants and electrical energy transmission systems. It has the Tingo hydroelectric power plant of 1.25 MW and 82 km of transmission lines of 22.9 and 50 kv. This subsidiary has a definite electrical concession.

(b.3) Other investments

Roquel Global S.A.C.

It is engaged in the real estate business in order to perform port and logistics activities in relation to the Chancay Port. During 2019, it performed municipal procedures for the award of acquired land (sanitation stage).

Corporación Logística Chancay S.A.C.

Corporación Logística Chancay S.A.C. was incorporated as subsidiary since 2017. Its purpose is to engage in real estate business and port and logistics activities. This subsidiary is currently in the pre-operating stage.

Remediadora Ambiental S.A.C.

This Subsidiary is engaged in environmental consulting services, environmental studies and acquisition of properties.

Compañía Industrial Limitada de Huacho S.A.

It is mainly engaged in the real estate business.

Empresa Minera Paragsha S.A.C.

It was incorporated for exploration, operation, assignment and mining usufruct; however, currently, its main activity is the purchase and sale of investments in equity instruments. This subsidiary holds shares of the Company and Cementos Polpaico S.A. (Note 9) and has 47 mining concessions with an indefinite term.

(b.4) Unconsolidated entities

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

(b.5) Unaudited financial information of Subsidiaries

The unaudited interim financial statements of direct and indirect Subsidiaries (unaudited) as of September 30, 2020 are summarized below:

	Assets	Liabilities	Equity	Net profit
	US\$000	US\$000	US\$000	(loss)
				US\$000
Compañía Minera Chungar S.A.C.	775,969	491,615	284,354	(14,254)
Empresa Explotadora de Vinchos Ltda. S.A.C.	1,550	19,362	(17,812)	(837)
Empresa Minera Paragsha S.A.C.	251,332	84,897	166,435	824
Minera Aurífera Toruna S.A.C. (1)	28	1,303	(1,275)	(42)
Minera San Sebastián AMC S.R.L.	49,146	53,132	(3,986)	(151)
Compañía Minera Vichaycocha S.A.C.	567	11,316	(10,749)	(4,301)
Hidroeléctrica Huanchor S.A.C.	72,560	38,521	34,039	1,590
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	49,146	53,132	(3,986)	(3,506)
Compañía Hidroeléctrica Tingo S.A. (3)	17,893	1,682	16,211	102
Roquel Global S.A.C.	26,667	5,394	21,273	(654)
Corporación Logística Chancay S.A.C.	717	790	(73)	(35)
Compañía Industrial Limitada De Huacho S.A.	6,604	1,088	5,516	360
Unconsolidated entities	2,159	1,660	499	(70)
	<u>1,254,338</u>	<u>763,892</u>	<u>490,446</u>	<u>(20,974)</u>
Held for sale	Assets	Liabilities	Equity	Net loss
	US\$000	US\$000	US\$000	US\$000
Óxidos de Pasco S.A.C.	217,190	58,309	158,881	(5,646)
Empresa Administradora Cerro S.A.C.	50,781	141,744	(90,963)	(13,454)
Remediadora Ambiental S.A.C.	4,168	15,092	(10,924)	637
	<u>272,139</u>	<u>215,145</u>	<u>56,994</u>	<u>(18,463)</u>

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
- (2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
- (3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.

The unaudited interim financial statements of direct and indirect Subsidiaries (unaudited) as of December 31, 2019 are summarized below:

	Assets	Liabilities	Equity	Net profit (loss)
	US\$000	US\$000	US\$000	US\$000
Compañía Minera Chungar S.A.C.	853,459	552,578	300,881	(7,820)
Empresa Explotadora de Vinchos Ltda. S.A.C.	2,193	19,168	(16,975)	(7,048)
Empresa Minera Paragsha S.A.C.	270,589	85,662	184,928	(10,999)
Minera Aurífera Toruna S.A.C. (1)	29	1,262	(1,233)	(3,188)
Minera San Sebastián AMC S.R.L.	127	493	(366)	(1,488)
Compañía Minera Vichaycocha S.A.C.	190	6,638	(6,448)	(18,027)
Hidroeléctrica Huanchor S.A.C.	78,792	46,343	32,449	(1,914)
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	52,078	52,559	(480)	(23,223)
Compañía Hidroeléctrica Tingo S.A. (3)	18,961	2,852	16,110	890
Roquel Global S.A.C.	27,163	5,236	21,927	(25)
Corporación Logística Chancay S.A.C.	685	723	(38)	(31)
Compañía Industrial Limitada De Huacho S.A.	7,575	2,419	5,156	(575)
Unconsolidated entities	101	-	101	-
	<u>1,311,944</u>	<u>775,934</u>	<u>536,010</u>	<u>(73,450)</u>
Held for sale	Assets	Liabilities	Equity	Net loss
	US\$000	US\$000	US\$000	US\$000
Óxidos de Pasco S.A.C.	260,620	96,093	164,527	(10,289)
Empresa Administradora Cerro S.A.C.	78,807	156,316	(77,509)	(50,993)
Remediadora Ambiental S.A.C.	4,167	15,729	(11,562)	(11,664)
	<u>343,594</u>	<u>268,138</u>	<u>75,457</u>	<u>(72,947)</u>

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
- (2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
- (3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.

(c) Other contractual matters

(c.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), a company incorporated in the Republic of China, and its subsidiary Cosco Shipping (Chancay) Ports Limited (CSPL SPV), with the participation of Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.) (TPCH), 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 TPCH with 60% of shares of the capital stock for a value of US\$225,000, at the closing date. This 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 TPCH through a capital increase. The Company holds and owns the remaining 40% of shares of the capital stock of Cosco Shipping Ports Chancay Perú S.A., thus, it became an associate since that date. See Note 9.

The definite completion of the transaction was subject to the approval of the Modification of the Environmental Impact Assessment (MEIA), which, through Directorial Resolution No00158-2020 published on December 22, 2020, announced that the "Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles" (SENACE) approved the Modification of the Detailed Environmental Impact Study (MEIA-d) of the Expansion project of the Port Operative Zone - Stage 1 of the Chancay Multipurpose Port Terminal.

The infrastructure project is located 50 km. 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.

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

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

	<u>As of 30/04/2019</u>
	US\$000
<u>Assets</u>	
Cash and cash equivalents	1,024
Other accounts receivable	61
Other long-term accounts receivable	2,455
Property, plant and equipment (net)	102,462
Mining concessions, exploration and development costs and other intangibles (net)	<u>80,295</u>
Total assets	<u><u>186,297</u></u>
<u>Liabilities</u>	
Trade accounts payable	201
Accounts payable to subsidiaries and affiliates	11,888
Other accounts payable	474
Deferred income tax	<u>42,135</u>
Total liabilities	54,698
<u>Equity</u>	
Issued capital stock	83,971
Revaluation surplus	30,307
Retained earnings	17,433
Profit or loss for the year	<u>(112)</u>
Total equity	131,599
Total liabilities and equity	<u><u>186,297</u></u>
<u>Profit or loss for the year</u>	
Administrative expenses	(169)
Exchange difference	20
Income tax expense	<u>37</u>
	<u><u>(112)</u></u>

(c.2) Bond issuance

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

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

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

February 2, 2022. Financial compliance covenants were not established for this obligation. Those funds were mainly destined to expansion projects of its Subsidiaries.

As of September 30, 2020 and December 31, 2019, total bond issuance amounted to US\$535,264 since bonds were repurchased for US\$64,736 in 2016. The Company's Management and its legal advisors believe that the Company does not have any noncompliance event derived from the bond issuance agreement.

(c.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 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.

(c.4) Purchase agreement of shares of Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. entered into Volcan Compañía Minera S.A.A. and Cerro de Pasco Resources Inc.

In November 2019, the Company entered into a purchase agreement with the Canadian company Cerro de Pasco Resources Inc. for the sale of its shares in its Subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. The transaction is subject to the compliance with certain previous conditions that should occur in 2020.

Cerro de Pasco Resources Inc. is a company listed in the Canadian Securities Exchange with presence in Cerro de Pasco for several years and is the owner of the concession "El Metalurgista" at this place. The transaction establishes a fixed payment of US\$30 million for Óxidos de Pasco S.A.C., a net smelter return (NSR) of 2% over the concessions of Empresa Administradora Cerro S.A.C. and a percentage of future gold (Au) and silver (Ag) sales from the oxide plant during all its operation, among others. In addition, Cerro de Pasco Resources Inc. has the obligation to sell to the Company all its concentrates operated in the concessions of Empresa Administradora Cerro S.A.C.

(d) Significant event

COVID- 19

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

In accordance with these restrictions, the Company limited their operations to those, which were strictly necessary to ensure that essential services and minimum safety conditions were maintained. The Company stopped operations from March 16 to June 4, when the Company resumed its operations gradually. The Company implemented a plan for the surveillance, prevention and control of COVID-19 in the workplace in accordance with the regulations of the Ministry of Energy and Mines, which was registered at the Ministry of Health.

The COVID-19 pandemic also temporarily and negatively affected metal prices. These impacts did also have an effect on the results of operations and financial condition for the nine-month period ended September 30, 2020 as compared to the nine-month period ended September 30, 2019. In addition, implementation of mandatory health protocols such as social distancing, employee quarantine, and regular COVID-19 screenings, has restricted and continues to restrict the Company's operational capacity and increased costs. For the nine-month period ended September 30, 2020, total costs incurred were US\$24,638, which

includes plant shutdowns expenses for US\$18,773 and the cost of safety protocols for US\$5,865.

As a response of this situation, the Peruvian government is deploying various economic and public health measures to address the pandemic caused by COVID-19. These measures are part of an economic stimulus plan that includes tax incentives among other tools intended to address the immediate impacts of the national state of emergency established by the Peruvian government to attempt to contain spread of the virus and lessen the strain on the health care system and the impact on the overall economy. In particular, economic support has been provided through programs such as "Reactiva Peru". As of December 31, 2020, the Company and some subsidiaries borrowed US\$13.6 million under such program. Under Reactiva Peru's regulations, the Company and Subsidiaries may not prepay current indebtedness unless using new credit facilities and may not distribute dividends or distribute any profits (with the exception of distributions for employees), during the 36-month term of the financing period. These loans are presented as part of financial obligations in the consolidated statement of financial position (Note 14).

As a result of the economic and business impact of COVID-19, Management revised certain accounting estimates and judgments such as, the valuation of long-term assets, which according to our estimates have not had a significant effect on the Company and Subsidiaries' financial position and results of operations (Note 22).

(e) Approval of financial statements

The unaudited interim condensed consolidated financial statements as of September 30, 2020 and for the nine-month period then ended have been approved by the Company's Management on January 29, 2021 and will be submitted to the Board of Directors and Shareholders for approval. Management believes that the accompanying unaudited interim condensed consolidated financial statements will be approved by the Shareholders' Meeting as presented. The consolidated financial statements as of December 31, 2019 were approved by the Shareholders' Meeting held on July 31, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and presentation

These interim condensed consolidated financial statements as of September 30, 2020 and for the nine-month periods ended September 2020 and 2019 have been prepared in accordance with IAS 34, "Interim financial reporting". In accordance with IAS 34, the interim financial report is intended only to provide an update on the content of the latest annual financial statements authorized for issue, focusing on new activities, events and circumstances occurring during the nine-month period, and does not duplicate information previously reported in the latest annual financial statements authorized for issue. Consequently, these interim consolidated financial statements do not include all the information required to complete financial statements prepared in accordance with IFRS as adopted by the International Accounting Standards Board (IASB) and, accordingly, for a proper comprehension of the information included in these interim condensed consolidated financial statements, they should be read together with the consolidated financial statements as of December 31, 2019 that have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim condensed consolidated financial statements are presented in thousands of U.S. dollars, which is the Company's functional currency.

(b) Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these unaudited interim condensed consolidated financial statements as were applied in the preparation of the financial statements for the year ended 31 December 2019, except for the impact of the adoption of the Standards and Interpretations described in Note 4.

(c) Seasonality

In view of the business activities in which the Company and its subsidiaries are engaged, their transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures are included in these explanatory notes to the unaudited interim consolidated condensed financial statements for the nine-month period ended September 30, 2020.

(d) Comparative information

The information for 2019 contained in these nine-month unaudited interim condensed consolidated financial statements is presented for comparison purposes only with the information of the nine-month period ended September 30, 2020 for the interim condensed consolidated statement of profit and loss and other comprehensive income, changes in equity and cash flows. The information as of December 31, 2019 is presented for comparison purposes with the condensed consolidated statement of financial position as of September 30, 2020.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's Management is responsible for the information contained in these unaudited interim condensed consolidated financial statements. To prepare them, certain estimates have been made to quantify some assets, liabilities, revenue, expenses and commitments recorded therein, based on experience and other relevant factors.

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

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

Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

During the nine-month period ended September 30, 2020 there were no significant changes in the estimates made at 2019 year-end other than those indicated in these nine-month unaudited condensed interim financial statements related to the impairment of loss of long-term assets (Note 22).

4. NEW STANDARDS AND INTERPRETATIONS 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, 2020, which were not relevant for the operations of the Company and its Subsidiaries:

- ***Conceptual Framework of IFRS Standards***

Together with the revised Conceptual Framework, published on March 29, 2018, the IASB also issued amendments to references to the Conceptual Framework in IFRS

Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

However, not all amendments update those pronouncements regarding the references and quotes of the framework to refer to the revised Conceptual Framework. Some pronouncements are updated only to indicate to what version the frameworks makes reference to (the IASB framework adopted by the IASB in 2001, the IASB framework in 2010 or the new framework reviewed in 2018) or to indicate that the definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

- ***Amendments to IFRS 3 Definition of a Business***

These amendments clarify that, as businesses usually have outputs, an output is not required for a series of integrated activities and assets to qualify as a business. To be considered a business, a series of acquired activities and assets should include at least an input and a substantive process that together significantly contribute to the ability to create outputs.

An additional guidance is provided to help determining whether a substantive process has been acquired.

These amendments introduce an optional test to identify the concentration of fair value, which allows a simplified assessment of whether a series of acquired activities and assets is not a business if all the fair value of gross assets acquired is substantially concentrated in a single identifiable asset or a group of similar assets.

- ***Amendments to IAS 1 and IAS 8 Definition of material***

The purpose of these amendments is to simplify the definition of materiality contained in IAS 1, facilitating its understanding, and not to modify the underlying concept of materiality in IFRSs. The concept to obscure material information with immaterial information has been included in the new definition.

The limitation for influential materiality for users has been changed from “could influence” to “could be reasonably expected to influence”.

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality in IAS 1. Additionally, the IASB modified other standards and the Conceptual Framework that contained a definition of materiality or reference to the term materiality to guarantee the consistency.

- ***Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform***

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

- ***Covid-19-Related Rent Concessions (Amendment to IFRS 16)***

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

(b) New IFRSs and amendments that are not effective yet

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

IFRS 17	Insurance contracts
IFRS 10 and IAS 18 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

Management considers that IFRS 17 is not applicable to the Company and Subsidiaries since they do not perform this type of operations. Also, Management does not expect that the adoption of the standards mentioned above will have a material impact on the consolidated financial statements of the Company and Subsidiaries in future periods as follows:

- **IFRS 17 Insurance contracts**

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

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features and is described as the variable fee approach. The general model is simplified if certain criteria are met when measuring the liability of remaining coverage under the premium allocation approach.

The general model will use the current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of such uncertainty, considering the interest rates of the market and the impact of options and guarantees of insured parties.

This standard is effective for annual periods beginning on or after January 1, 2021, with early application permitted. It is applied retrospectively unless it is not feasible, in which case the modified retrospective approach or the fair value method is used. A draft of changes on IFRS 17 addresses the concerns and difficulties of implementation that were identified after the publication of IFRS 17. One of the main proposed changes was the deferral of the initial application date of IFRS 17 for a year, on reporting periods beginning on or after January 1, 2022.

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, these amendments state that profits or losses resulting from the loss of

control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, profits and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The IASB has not determined the effective date of the amendments yet; however, their early application is permitted. The Company and Subsidiaries' Management anticipates that the application of these amendments may have an impact on the consolidated financial statements of the Company and Subsidiaries in future periods if those transactions are performed.

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

The amendments to IAS 1 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 covenant are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

- ***Amendments to IFRS 3 – Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- ***Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical

performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- ***Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- ***Annual Improvements to IFRS Standards 2018–2020***

The Annual Improvements include amendments to four Standards.

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 – The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

5. FINANCIAL INSTRUMENTS AND RISKS

(a) Categories of financial instruments

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

	30/09/2020 US\$000 (Unaudited)	31/12/2019 US\$000 (Audited)
Financial assets:		
Amortized cost		
Cash and cash equivalents	97,881	33,828
Other accounts receivable (net)	10,744	8,065
	<u>108,625</u>	<u>41,893</u>
Fair value through profit or loss		
Trade accounts receivable (net)	21,507	36,159
Derivatives designated as hedging instruments	-	3,915
Derivatives that are not designated as hedging instruments	-	1,501
	<u>21,507</u>	<u>41,575</u>
Fair value through other comprehensive income		
Financial investments	41,583	43,510
	<u>41,583</u>	<u>43,510</u>
Total	<u>171,715</u>	<u>126,978</u>
Financial liabilities:		
Amortized cost		
Trade accounts payable	155,555	178,175
Other accounts payable	5,499	2,944
Bank overdrafts	11,983	8,448
Bonds	535,264	535,264
Financial obligations	380,912	265,534
	<u>1,089,213</u>	<u>990,365</u>
Fair value through profit or loss		
Derivatives that are not designated as hedging instruments	21,502	53,308
Fair value through other comprehensive income		
Derivatives designated as hedging instruments	486	99
Total	<u>1,111,201</u>	<u>1,043,772</u>

(b) Financial risks

During the normal course of operations, the Company and Subsidiaries are exposed to several financial risks. The Company continues to be exposed to the risks inherent to its financial instruments. These risks include: market risk, exchange rate risk, credit risk, liquidity risk and capital risk management. A thorough explanation of the Company's risks

and its approach to their identification, assessment and mitigation is disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

There have been no significant changes in the Company's exposure and risk management principles and processes since December 31, 2019. However, as of September 30, 2020, working capital amounted to US\$38,484, compared to a negative working capital of US\$212,030 as of December 31, 2019 as a consequence of a medium-term financing obtained, the "Syndicated loan" (Note 14). In addition, Management has a credit capacity that allows having access to credit lines in first-class financial entities to meet their obligations. Consequently, they permanently monitor their liquidity reserves, based on cash flow projections. As of September 30, 2020 and December 31, 2019, the balances of financial assets and liabilities denominated in foreign currency correspond to balances in Peruvian soles that are expressed in U.S. dollars at the closing exchange rates of US\$0.278 and US\$0.302 per S/1.00, respectively, and to Chilean pesos that are expressed in U.S. dollars at the closing exchange rate of US\$0.001275 and US\$0.001334 per \$1, as of September 30, 2020 and December 31, 2019, respectively.

The Company and Subsidiaries recorded a net exchange loss for US\$5,200 in 2020 (net loss for US\$1,317 in 2019) (Note 23).

(c) Fair value of financial instruments

Management considers that the carrying amounts of the financial instruments (assets and liabilities) as of September 30, 2020 and December 31, 2019 are not significantly different from their fair values other than the indicated as follows:

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, except for bonds issued in the international market (Note 14 (b)), whose fair value is classified as Level 1 since quoted prices are available. The fair value of these bonds amounts to US\$535,858 as of September 30, 2020 (US\$552,719 as of December 31, 2019).

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

As of September 30, 2020 and December 31, 2019, 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:

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
Financial assets		
Level 2		
Trade accounts receivable (b)	21,507	36,159
Derivates that are not designated as hedging instruments	-	1,501
Derivates designated as hedging instruments	-	3,915
	<u>21,507</u>	<u>41,575</u>
Financial liabilities		
Level 2		
Derivates that are not designated as hedging instruments	21,502	53,308
Derivates designated as hedging instruments	486	99
	<u>21,988</u>	<u>53,407</u>

- (a) Financial investments (Note 9) mainly include the investment in Cementos Polpaico S.A., which is listed on the Chile Stock Exchange; for this reason, it has been classified as Level 1.

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<u>30/09/2020</u>	<u>31/12/2019</u>
	US\$000	US\$000
	(Unaudited)	(Audited)
Petty cash and cash in banks (a) (b)	97,104	33,017
Other funds	<u>777</u>	<u>811</u>
	<u>97,881</u>	<u>33,828</u>

- (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. The increase is mainly due to the syndicated loan acquired see Note 14.
- (b) The Company presents amounts for US\$10,226 and US\$9,856 as of September 30, 2020 and December 31, 2019 as part of cash and cash equivalents, which correspond to cash deposited in Banco de la Nación for the payment of taxes; therefore, they are not freely available for the Company. In addition, amounts withheld by the Tax Administration are presented in this item for US\$808 as of September 30, 2020 (US\$4,171 as of December 31, 2019).

7. TRADE ACCOUNTS RECEIVABLE (NET)

Trade accounts receivable (net) comprise the following:

	<u>30/09/2020</u>	<u>31/12/2019</u>
	US\$000	US\$000
	(Unaudited)	(Audited)
From third parties		
Invoices	29,182	41,960
Impairment estimate for accounts receivable	(17,601)	(17,601)
Embedded derivatives	(1,936)	(533)
Sales adjustments	<u>920</u>	<u>(1,360)</u>
	<u>10,565</u>	<u>22,466</u>
From related entities		
Invoices	9,293	18,312
Embedded derivatives	13	(3,671)
Sales adjustments	<u>1,636</u>	<u>(948)</u>
	<u>10,942</u>	<u>13,693</u>
Total	<u>21,507</u>	<u>36,159</u>

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

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

For the nine-month period ended September 30, 2020; the Company and Subsidiaries made sales to the following related entities: Glencore Perú S.A.C. and Glencore Lima Trading S.A.C.

for US\$86,166 and US\$25,352, respectively (Glencore Perú S.A.C., Glencore Lima Trading S.A.C. and Glencore International AG for US\$283,105, US\$61,395 and US\$66 as of December 31, 2019, respectively and Glencore Perú S.A.C., Glencore Lima Trading S.A.C. and Glencore International AG for US\$216,539, US\$45,493 and US\$66 as of September 30, 2019, respectively).

8. OTHER ACCOUNTS RECEIVABLE (NET)

Other accounts receivable (net) comprise the following:

	<u>30/09/2020</u>	<u>31/12/2019</u>
	<u>US\$000</u>	<u>US\$000</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Value added tax credit (a)	40,958	40,352
Credit balance for income tax and temporary tax on net assets (b)	29,997	36,249
Loans granted to third parties (c)	10,057	11,761
Other tax credits		2,264
Accounts receivable from contractors	5,231	5,263
Deferred costs and expenses	3,406	6,196
Insurance compensation	3,866	3,866
Advances granted to contractors	2,033	3,143
Public works for taxes, in process (d)	2,072	2,565
Loans granted to employees	1,493	1,483
Other minor items	776	1,939
	<u>99,889</u>	<u>115,081</u>
Impairment estimate for other accounts receivable (e)	<u>(38,083)</u>	<u>(41,250)</u>
Total	<u>61,806</u>	<u>73,831</u>
<u>Amortized cost:</u>		
Loans granted to third parties	1,620	2,153
Other tax credits	7,289	5,114
Other minor items	<u>1,835</u>	<u>798</u>
Total	<u>10,744</u>	<u>8,065</u>
Total	<u>72,550</u>	<u>81,896</u>
Non-current portion	<u>7,152</u>	<u>7,990</u>
Current portion	<u>65,398</u>	<u>73,906</u>

- (a) As of September 30, 2020, this item includes an amount of US\$22,779 (US\$24,133 as of December 31, 2019), which corresponds to tax credit derived from subsidiaries that do not operate and that is not expected to be recovered; therefore, an impairment estimate was recorded.
- (b) As of September 30, 2020, this item corresponds to advance payments of income tax for US\$12,386, tax credit for US\$8,787 and payments for the temporary tax on net assets for US\$8,824, which will be requested as from 2021.
- (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 recording an amount of US\$10,057 (US\$11,821 as of December 31, 2019) as doubtful account according to the assessment of uncollectibility risk.
- (d) As of September 30, 2020, this item mainly corresponds to the impairment provision for value-added tax credit (see paragraph (a)) and loans granted to third parties for US\$10,057 (US\$11,821 as of December 31, 2019).

Management 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.

9. INVESTMENT IN ASSOCIATE AND FINANCIAL INVESTMENTS

Investment in associate and financial investments comprise the following:

Company	Class	Number of shares	Interest in net equity as of		Face value		Carrying amount as of	
			30/09/2020	31/12/2019			30/09/2020	31/12/2019
			%	%			US\$000	US\$000
Associate:								
Cosco Shipping Ports Chancay Perú S.A. (a)	Common	279,408,127	40.0	40.0	1	sol	149,225	150,000
Financial investments at fair value:								
Cemento Polpaico S.A. (b)	Common	4,056,643	22.7	22.7	8,040	Chilean pesos	41,583	43,510
Other investments:								
Other companies	Common	-	-	-	-	-	523	284
Total							191,331	193,794

- (a) 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 2022.

As explained in Note 1(d) to the accompanying unaudited interim condensed consolidated financial statements, in May 2019, as a result of the subscription and investment agreement entered into between the Company and Cosco Shipping Ports Limited, the Company derecognized its investment in the subsidiary at the date in which control was lost and recognized the fair value of its interest of 40% in the capital stock of such entity (US\$150,000). The impact on profit or loss amounted to US\$18,288 in 2019.

- (b) Cementos Polpaico S.A. is engaged in the production and commercialization of cement and lime. As of December 31, 2019, the quotation amounted to 8,040 Chilean pesos per share, equivalent to US\$10.726 (9,000 Chilean pesos per share, equivalent to US\$13.005 as of December 31, 2018). Those shares are listed on the Chile Stock Exchange.

10. INVENTORIES (NET)

Inventories (net) comprise the following:

	30/09/2020 US\$000 (Unaudited)	31/12/2019 US\$000 (Audited)
Concentrates	1,939	6,461
Mineral	9,787	5,730
Sundry supplies	32,101	31,455
Inventories in transit	185	68
	44,012	43,714
Impairment estimate (a)	(6,870)	(7,005)
Total	37,142	36,709

Management of the Company and Subsidiaries believes that the impairment estimate for spare parts and supplies is sufficient to cover the risk of loss at the date of the consolidated statement of financial position.

11. 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, 2020 US\$000 (Audited)	Additions US\$000	Sales and/or disposals US\$000	T
Cost of:				
Land	31,353	-	-	
Buildings and other constructions	747,170	230	-	
Environmental management program infrastructure	11,773	-	-	
Machinery and equipment	167,681	6,580	(592)	
Vehicles	4,223	46	(42)	
Furniture and fixtures and computer equipment	12,780	2,410	-	
Other equipment	355,816	5,722	(102)	
Units in transit	3,724	5,194	(45)	
Works in progress (a)	53,661	11,541	-	
	<u>1,388,181</u>	<u>31,723</u>	<u>(781)</u>	
Accumulated depreciation of:				
Buildings and other constructions	(289,689)	(42,001)	-	
Environmental management program infrastructure	(11,773)	-	-	
Machinery and equipment	(137,415)	(5,438)	531	
Vehicles	(3,587)	(161)	23	
Furniture and fixtures and computer equipment	(9,086)	(734)	-	
Other equipment	(259,841)	(12,866)	74	
	<u>(711,391)</u>	<u>(61,200)</u>	<u>628</u>	
Net value	<u>676,790</u>			

	Balance as of January 1, 2019 US\$000 (Audited)	Additions US\$000	Sales and/or disposals US\$000	Transfers US\$000	Corporate Derecognition US\$000	
Cost of:						
Land	97,750	2,163	-	33,199	(101,759)	
Buildings and other constructions	926,968	7,794	-	48,955	(618)	
Environmental management program infrastructure	22,293	-	(12)	-	-	
Machinery and equipment	279,381	7,593	(14,267)	2,078	(20)	
Vehicles	11,174	189	(44)	-	(151)	
Furniture and fixtures and computer equipment	14,401	434	-	-	(130)	
Other equipment	450,131	16,964	(79)	(1,078)	(21)	
Units in transit	312	4,000	-	(573)	-	
Works in progress (a)	59,408	38,721	(2,528)	(35,614)	-	
	<u>1,861,818</u>	<u>77,858</u>	<u>(16,930)</u>	<u>46,967</u>	<u>(102,699)</u>	
Accumulated depreciation of:						
Buildings and other constructions	276,541	80,764	-	-	(35)	
Environmental management program infrastructure	22,277	4	-	-	-	
Machinery and equipment	245,470	8,130	(11,213)	-	(6)	
Vehicles	10,391	254	(10)	-	(103)	
Furniture and fixtures and computer equipment	10,018	951	-	-	(85)	
Other equipment	318,916	23,353	(61)	-	(7)	
	<u>883,613</u>	<u>113,456</u>	<u>(11,284)</u>	<u>-</u>	<u>(236)</u>	
Net value	<u>978,205</u>					

- (a) As of September 30, 2020, the projects included as works in progress mainly belong to the Company for US\$29,020 and Subsidiary Compañía Minera Chungar S.A.C. for US\$17,642 (US\$37,077 and US\$15,276 as of December 31, 2019, respectively), as detailed below:

Volcan Compañía Minera S.A.A.

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
Growth of tailings facility Rumichaca (Level 4227)	6,851	5,391
Ore Pass and ventilation shaft (Victoria tunnel)	-	2,827
Pumping system Rp 616 (Level 1220 to 1120)	2,371	2,318
Growth of tailings facility Rumichaca 4224	2,139	2,125
Growth of tailings facility Andaychagua (Level 4410)	2,192	2,100
Extension of tailings facility 6 Mahr Tunnel	-	2,002
Pumping system (Level 1120 to 1020)	1,929	1,929
Growth of tailings facility Rumichaca (Level 4270)	1,321	1,313
Drainage line 12 Km from Huacracocho to Huacracocho	-	1,171
Landfill Relavera Andaychagua Alto	1,767	-
Other minor projects	10,450	15,901
Total	<u>29,020</u>	<u>37,077</u>

Subsidiary Compañía Minera Chungar S.A.C.

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
New tailings facility Animon - Quimacocha	3,088	2,631
Growth of tailings facility Alpamarca (Level 4684)	3,626	2,453
Filtered tailings disposal system	2,834	1,040
Romina Project - general infrastructure	1,040	1,002
Pumping system Islay mine (Level 210)	1,380	593
Construction of 2-level dressing room Esperanza-Animon	-	530
Pumping system Islay - chamber 6	530	-
Other minor projects	5,144	7,027
Total	<u>17,642</u>	<u>15,276</u>

As of September 30, 2020 and December 31, 2019, other Subsidiaries have projects in progress for US\$7,484 and US\$1,308, respectively.

Management expects that the projects mentioned above will be completed between 2020 and 2021.

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

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Cost of sales (Note 20)	58,357	79,449
Administrative expenses	1,292	1,255
Selling expenses	59	14
Other expenses (Note 21)	1,492	2,516
Total	<u>61,200</u>	<u>83,234</u>

- (c) As of September 30, 2020, buildings, machinery and equipment include assets under finance leases with a carrying amount of US\$15,730 and US\$14,714, respectively (US\$16,186 and US\$10,416 as of December 31, 2019).

- (d) In 2019, assets held for sale correspond to the transfer of the assets of subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A. to this item.
- (e) The Company and Subsidiaries hired insurance policies on their main assets according to the policies established by Management.
- (f) In 2019, an impairment loss in constructions and buildings was determined for US\$14,505 and US\$5,108, in Egerba and Huanchor, respectively.

12. MINING CONCESSIONS, EXPLORATION AND DEVELOPMENT COSTS AND OTHER INTANGIBLES (NET)

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

	Balance as of January 1, 2020	Additions	Balance as of September 30, 2020
	US\$000	US\$000	US\$000
	(Audited)		(Unaudited)
Cost of:			
Mining concessions	220,135	-	220,135
Exploration costs	268,471	5,916	274,387
Development costs (a)	724,847	26,657	751,504
Closure of mining units	127,039	-	127,039
Community rights	18,490	-	18,490
Other intangibles	17,468	294	17,762
	<u>1,376,450</u>	<u>32,867</u>	<u>1,409,317</u>
Amortization of:			
Mining concessions	(144,449)	(2,798)	(147,247)
Exploration costs	(108,604)	(6,003)	(114,607)
Development costs (a)	(281,692)	(18,060)	(299,752)
Closure of mining units	(48,384)	(4,406)	(52,790)
Community rights	(1,451)	(698)	(2,149)
Other intangibles	(11,748)	(795)	(12,543)
	<u>(596,328)</u>	<u>(32,760)</u>	<u>(629,088)</u>
Net cost	<u>780,122</u>		<u>780,229</u>

	Balance as of January 1, 2019	Additions	Transfers and/or reclassifications	Corporate derecognition	Value adjustment
	US\$000	US\$000	US\$000	US\$000	US\$000
	(Audited)				
Cost of:					
Mining concessions	268,688	3,314	-	-	-
Exploration costs	247,997	28,472	-	-	-
Development costs (a)	708,302	73,984	(17,911)	-	-
Closure of mining units	140,083	-	-	-	(7,701)
Community rights	-	-	17,911	-	579
Other intangibles	140,954	4,345	(46,968)	(80,295)	-
	<u>1,506,024</u>	<u>110,115</u>	<u>(46,968)</u>	<u>(80,295)</u>	<u>(7,122)</u>
Amortization of:					
Mining concessions	190,769	5,547	-	-	-
Exploration costs	104,385	12,153	-	-	-
Development costs (a)	319,561	37,259	-	-	-
Closure of mining units	40,055	11,596	-	-	-
Community rights	-	1,451	-	-	-
Other intangibles	11,187	1,054	-	-	-
	<u>665,957</u>	<u>69,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost	<u>840,067</u>				

(a) Development costs:

The movement and structure of this item is presented below:

	Balance as of January 1, 2020	Additions	Balance as of September 30, 2020
	US\$000	US\$000	US\$000
	(Audited)		(Unaudited)
Cost of:			
Yauli	488,104	17,335	505,439
Animon	230,485	9,322	239,807
Vinchos	6,258	-	6,258
	<u>724,847</u>	<u>26,657</u>	<u>751,504</u>
Accumulated amortization of:			
Yauli	(184,250)	(11,739)	(195,989)
Animon	(91,184)	(6,321)	(97,505)
Vinchos	(6,258)	-	(6,258)
	<u>(281,692)</u>	<u>(18,060)</u>	<u>(299,752)</u>
Net cost	<u>443,155</u>		<u>451,752</u>

	Balance as of January 1, 2019 US\$000 (Audited)	Additions US\$000	Transfers US\$000	Impairm recovery US\$000 (Note 2)
Cost of:				
Yauli	404,325	48,179	-	35
Cerro de Pasco	75,128	-	-	
Animon	204,680	25,805	-	
Vinchos	6,258	-	-	
Rights granted by communities	17,911	-	(17,911)	
	<u>708,302</u>	<u>73,984</u>	<u>(17,911)</u>	<u>35</u>
Accumulated amortization of:				
Yauli	157,834	26,417	-	
Cerro de Pasco	75,128	-	-	
Animon	80,341	10,842	-	
Paragsha and Subsidiaries	-	-	-	
Vinchos	6,258	-	-	
	<u>319,561</u>	<u>37,259</u>	<u>-</u>	
Net cost	<u>388,741</u>			

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

	<u>30/09/2020</u>	<u>30/09/2019</u>
	<u>US\$000</u>	<u>US\$000</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cost of sales (Note 20)	31,619	50,724
Administrative expenses	266	438
Other expenses (Note 21)	875	383
	<u>32,760</u>	<u>51,545</u>
Total	<u>32,760</u>	<u>51,545</u>

13. ASSETS AND LIABILITIES HELD FOR SALE

The Company has concluded that the value of certain investments in Subsidiaries will be recovered through their sale, rather than the benefits arising from their operation. In addition, the Company has evaluated that it has the ability of transferring the assets to a potential buyer in current conditions. According to this, in November 2019, the Company entered into an agreement with Canadian company Cerro de Pasco Resources Inc. for the sale of its shares in its Subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. (Note 1(c.4)).

Due to this transaction, the assets and liabilities related to these Subsidiaries are presented as assets and liabilities held for sale. The Company has estimated that the fair value less the costs to sell of these Subsidiaries is US\$119,450 (US\$130,502 as of December 31, 2019). Such value represents the fair value that has been determined according to the consideration established in the share purchase agreement (Note 1(c.4)).

The assets and liabilities that comprise the operations classified as held for sale as of September 30, 2020 are the following:

	<u>30/09/2020</u>
	<u>US\$000</u>
	<u>(Unaudited)</u>
Cash and cash equivalents	11,071
Trade accounts receivable (net)	2,640
Other accounts receivable (net)	46,339
Inventory (net)	26,253
Other accounts receivable	658
Property, plant and equipment (net)	186,041
Mining concessions, explorations and development costs and other intangibles (net)	2,634
Deferred income tax (net)	24,415
	<u>300,051</u>
Total assets classified as held for sale	<u>300,051</u>
Bank overdrafts	2,849
Trade accounts payable	27,560
Other accounts payable	7,810
Financial obligations	3,042
Deferred income tax (net)	89,490
Provision for contingencies	5,544
Provision for mine closure and communities	44,306
	<u>180,601</u>
Total liabilities related to assets classified as held for sale	<u>180,601</u>

14. FINANCIAL OBLIGATIONS

The movement and structure of this item is presented below:

	Original amount		Interest rate (%)	
	S/	US\$000		
Loans:				
Scotiabank Perú S.A.A. (a)	-	10,000	2.85	
Banco Internacional del Perú S.A. (a)	-	10,000	2.85	
Citibank N.A. New York (a)	-	70,000	3.84	
Scotiabank Perú S.A.A. (a)	368,885	-	1.65	
Banco de Credito del Perú (a)	-	60,000	1.60	
Banco internacional del Perú-Interbank (a)	10,000	-		
Banco internacional del Perú-Interbank (a)	10,000	-		
Banco internacional del Perú-Interbank (a)	3,270	-		
Banco internacional del Perú-Interbank (a)	10,000	-		
Scotiabank Perú S.A.A. (a)	6,300	-		
Syndicated (c)	-	300,000		
Bonds:				
Traded bonds (b)	-	600,000	5.375	
Leases under IFRS 16:				
Lease liabilities	-	-	-	
Finance leases:				
Banco Internacional del Perú S.A.	-	-	Between 3.67 and 3.83	Between M
Scotiabank Perú S.A.A.	-	-	Between 3.45 and 4.10	Between A
Interests payable				
Total financial obligations				
Non-current portion				
Current portion				

- (a) This item correspond to medium-term loan agreements entered into with Citibank, Interbank and Scotiabank for working capital and acquisition of machinery.

Financial covenants

The Company and Subsidiaries have financial covenants in compliance with these loan agreements. For this reason, the Company and Subsidiaries should submit, on a quarterly basis, a communication to each one of the financial entities with the calculation of the following ratios:

- Leverage (financial debt / EBITDA): the ratio should be less than 3.75.
- Interest hedge (EBITDA / financial expenses): the ratio should be higher than 5.00.

As of September 30, 2020, leverage ratio is 5.13 (As of December 31, 2019 was 3.13) and the interest hedge ratio is 3.96 (As of December 31, 2019 was 5.80).

- (b) Traded bonds known as "Senior Notes Due 2022" were issued on February 2, 2012 and were totally placed in the international market for US\$600,000, at an annual rate of 5.375%, maturing in 10 years. Interests are being paid in semiannual installments from August 2, 2012 to February 2, 2022. The agreement has not established the compliance with financial covenants
- (c) On August 13, 2020, the Company signed an agreement for a syndicated loan managed by Banco Santander S.A. and The Bank of Nova Scotia for an amount of US\$300 million with a maturity of 18 months in order to refinance short- term obligations. The loan is guaranteed by the Company and the following related entities: Empresa Administradora Cerro S.A.C. and Compañía Minera Chungar S.A.C. (the guarantor subsidiaries).

The agreement establishes that the Company and guarantor subsidiaries will ensure that they together represent no less than 90% of the consolidated EBITDA (the term EBITDA is defined in the contract). In the event that the aforementioned subsidiaries do not cover said percentage or are sold, the other subsidiaries of the Company will become guarantors until said percentage is reached.

In addition, the agreement has established financial safeguards as follows:

- Consolidated total debt to EBITDA ratio: Permit the Borrower's Consolidated Total Debt to EBITDA Ratio, measured as of the last day of each Fiscal Quarter described below, to be greater than: (i) Q1-2021: 4.85; (ii) Q2-2021: 4.60; (iii) Q3-2021: 4.35; and(iv) Q4-2021 and thereafter: 4.10.
 - Consolidated interest coverage ratio: Permit the Consolidated Interest Coverage Ratio, measured as of the last day of each Fiscal Quarter, to be less than 2.00.
- (d) Management believes that, as of September 30, 2020 and December 31, 2019, no default event has occurred regarding the compliance with financial covenants as in the report of events required to be submitted or other obligations derived from the agreement. Respective waivers for the financial institutions were received when needed.

- (e) Debt amortization schedule as of September 30, 2020 and December 31, 2019 is as follows:

Year	30/09/2020 US\$000 (Unaudited)	31/12/2019 US\$000 (Audited)
2020	-	224,476
2021	48,875	30,260
2022	861,801	546,062
2023	8,855	-
Total	919,531	800,798

- (f) As of September 30, 2020 and December 31, 2019, the reconciliation of cash flows to financial obligations are shown below:

	30/09/2020 US\$000 (Unaudited)	31/12/2019 US\$000 (Audited)	30/09/2019 US\$000 (Unaudited)
Movements related to cash flows			
Increase for obtaining bank loans	417,667	290,000	120,000
Payment of short-term loans from banks	(292,541)	(311,468)	(136,110)
Payment of interests on loans	(38,331)	(39,479)	(34,595)
Payment of lease liabilities	(10,604)	(24,903)	(15,981)
Total	76,191	(85,850)	(66,686)
Movements not related to cash flows			
Increase for obtaining finance leases	6,512	8,742	7,578
Interests on loans	27,790	36,379	27,252
Lease liabilities (IFRS 16)	4,885	45,098	41,394
Increase of financial obligations during the period	115,378	4,369	9,538
Financial obligations at the beginning of the year	800,798	796,429	796,429
Financial obligations at the end of the period	916,176	800,798	805,967

- (g) Guarantees

The Company has the following guarantees received from its Subsidiary Compañía Minera Chungar S.A.C. in order to secure the full compliance with its pertinent obligations:

- For the credit agreement entered into with Citibank for US\$70,000.
- For the issuance of bonds in the international market under Rule 144A and Regulation S of the United States Securities Act of 1933.

- (h) Lease liabilities (IFRS 16)

Lease liabilities for US\$17,549 are related to the right of use asset for US\$11,150 presented in the consolidated statements of financial position as of September 30, 2020, net of depreciation of US\$31,266 (22,463 as of December 31, 2019 net of depreciation of US\$18,594). Depreciation expense for the nine-month period ended September 30, 2020 and 2019 has been distributed as follows:

	30/09/2020 US\$000 (Unaudited)	30/09/2019 US\$000 (Unaudited)
Cost of sales (Note 20)	12,585	13,847
Administrative expenses	87	127
Total	12,672	13,974

15. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
Invoices payable (a)	103,287	111,564
Invoices receivable (b)	40,097	53,489
Guarantee funds	12,171	13,122
Total	<u>155,555</u>	<u>178,175</u>

- (a) Trade accounts payable mainly arise from the acquisition of materials and supplies for the execution of mining 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 September 30, 2020, and December 31, 2019, balances payable are effective and within the payment terms established by the Company, which range between 30 and 60 days.
- (b) Invoices receivable correspond to the estimated record of consumption of goods and services of September, for which, at the date of the unaudited interim condensed consolidated financial statements, the payment receipts issued by their pertinent suppliers have not been received.
- (c) As of September 30, 2020, the Company and Subsidiaries hold obligations for US\$29,118 (as of December 31, 2019 for 21,606), 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.

16. OTHER ACCOUNTS PAYABLE

Other accounts payable comprise the following:

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
To third parties		
Contribution to OEFA (a)	18,132	19,267
Advances received from customers (b)	12,000	-
Salaries and profit-sharing - employees (c)	8,911	11,330
Value added tax deductions	4,551	4,487
Mining taxes	1,935	1,877
Other accounts payable - IFRIC 23	1,560	1,696
Income tax withheld from employees	1,531	982
Income tax	913	8,877
Salaries and bonuses - Board of Directors	579	2,407
Other minor items	<u>2,179</u>	<u>2,602</u>
	52,291	53,525
<u>Amortized cost:</u>		
Dividends	1,015	1,091
Other minor items	<u>4,484</u>	<u>1,853</u>
	5,499	2,944
Total	<u>57,790</u>	<u>56,469</u>
To related entities		
Salaries and bonuses of the Board of Directors	6,584	7,159
Sundry items	<u>119</u>	<u>416</u>
Total	<u>6,703</u>	<u>7,575</u>
Total	<u>64,493</u>	<u>64,044</u>

- (a) This item corresponds to contributions that have not been paid to the Environmental Supervision and Evaluation Entity (OEFA) yet, which the Company is required to do.
- (b) This item corresponds to an advance received from IXM S.A. for future delivery of lead concentrate, which will be offset within a period of 4 years from January 2021.
- (c) As of September 30, 2020, this item mainly includes vacations and gratifications of employees for US\$3,708 and US\$2,702, respectively (US\$5,816 and US\$2,539 for vacations and profit-sharing of employees in December 31, 2019, respectively).

17. PROVISIONS

Provisions comprise the following:

	<u>30/09/2020</u>	<u>31/12/2019</u>
	US\$000	US\$000
	(Unaudited)	(Audited)
Contingencies (a)	21,403	20,273
Mine closure (Note 28)	134,947	133,564
Agreements with communities (b)	18,413	18,760
Other provisions	<u>5,338</u>	<u>6,492</u>
Total	<u>180,101</u>	<u>179,089</u>

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

	<u>US\$000</u>
Balance as of January 1, 2019 (audited)	21,888
Provision for the year	5,627
Reversal	(80)
Transfer to liabilities directly associated with assets classified as held for sale	<u>(7,162)</u>
Balance as of December 31, 2019 (audited)	<u>20,273</u>
Provision for the period (Note 27)	2,775
Reversal (Note 27)	<u>(1,645)</u>
Balance as of September 30, 2020 (unaudited)	<u>21,403</u>

- (b) As of September 30, 2020, the nominal value of the provision for obligations with communities is US\$21,539 (US\$21,886 as of December 31, 2019), which has been discounted using the annual risk-free rate of 1.8% (1.8% in 2019), resulting in a net value of US\$18,413 (US\$18,760 as of December 31, 2019).

18. 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/0.87 per share.

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 traded in the stock market. As of September 30, 2020, their quotation was S/3.30 and S/0.390 per share, respectively (S/3.49 and S/0.445 per share, respectively, as of December 31, 2019). As of December 31, 2019, the negotiation frequency of class A shares was 3.57% and 100% for class B shares (9.96% for class A shares and 100% for class B shares as of December 31, 2018).

The equity interest structure as of September 30, 2020 and December 31, 2019 is as follows:

Individual interest percentage in issued capital stock	Number of shareholders		Total interest percentage	
	30/09/2020	31/12/2019	30/09/2020 %	31/12/2019 %
Less than 0.20	8,114	8,008	17.42	17.29
From 0.20 to 1.00	21	24	9.04	10.57
From 1.01 to 5.00	16	12	51.14	38.52
From 5.01 to 10.00	1	3	5.61	16.83
From 10.01 to 20.00	1	1	16.79	16.79
	8,153	8,048	100	100

(b) Treasury shares

This item corresponds to shares of the Company acquired by Subsidiaries. From total shares, 182,986,684 common class A shares and 12,234,901 class B shares are owned by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 common class A shares are owned by subsidiary Compañía Minera Chungar S.A.C., and 306,283 common class A shares are owned by subsidiary Compañía Industrial Limitada de Huacho S.A.

(c) Legal reserve

Pursuant to the General Law of Corporations, 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.

As of September 30, 2020, the transfer of 10% of net profit from 2019 to the legal reserve has not been approved yet.

(d) Share premium

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

(e) Revaluation surplus

As of January 1, 2019, this item corresponds to the resulting surplus of revaluating land of Cosco Shipping Ports Chancay Perú S.A. (Terminales Portuarios Chancay S.A.) at market value, a subsidiary of the Company at that date. As of December 31, 2019, such company became an associate. See Note 1(b).

(f) Unrealized earnings

This item corresponds to unrealized profit (loss) from derivative financial instruments designated as hedging instruments (Note 14). 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, as applicable, and the profit or loss resulting from the effect of the fair value of the investment in equity instruments.

19. NET SALES

During 2020 and 2019, revenue mainly includes sales of zinc, lead, silver and copper concentrates, as follows:

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Net sales per concentrate:		
Zinc	152,205	321,318
Lead	103,414	113,995
Silver bars	38,569	50,761
Copper	25,560	26,635
Silver	20,842	30,687
Silver scrap	862	23
	<u>341,452</u>	<u>543,419</u>
Profit in:		
Financial instruments	6,814	-
Embedded derivatives	2,190	2,516
Adjustments of open provisional liquidations	5,099	(9,664)
	<u>13,903</u>	<u>(7,148)</u>
Total	<u><u>355,555</u></u>	<u><u>536,271</u></u>

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

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Peru	217,590	397,270
Europe	90,713	93,021
Asia	33,104	48,037
America	45	5,091
	<u>341,452</u>	<u>543,419</u>

On March 15, 2020, the government of Peru declared a state of national emergency and mandatory social quarantine nationwide after the first case of COVID-19 in Peru.

As of March 17, Volcan shut down its operations and started a "Care and Maintenance" phase until May 18, when Volcan gradually restarted its mining operations.

This stoppage and personnel limitations as a result of the national emergency caused by the pandemic has affected production levels, sales and increased costs for the year.

As of September 30, the lower production of Volcan is estimated at 67 thousand fmt of zinc, 4.2 million ounces of silver and 17 thousand fmt of lead, this means US\$145 million in lower sales due to COVID-19"

(a) Sales concentration

For the nine-month period ended September 30, 2020, the three most important customers represented 63% of total sales (71% of total sales as of September 30, 2019). As of September 30, 2020, 31% of the accounts receivable balance corresponds to these customers (53% as of December 31, 2019). Concentrates sales are made to well-known companies in the country and abroad.

(b) Sales commitments

As of September 30, 2020, the Company and Subsidiaries hold commitments with related entities and third parties for sales of zinc, lead and copper concentrates for 1,122,036 WMT, 118,891 WMT and 5,486 WMT until 2024, for an approximate total amount of US\$1,141,354.

In addition, as of September 30, 2020, the Company and Subsidiaries held commitments for the sale of Dore bars for 1,023,897 oz. for US\$24,544.

As of December 31, 2019, the Company and Subsidiaries hold commitments with related entities and third parties for sales of zinc, lead and copper concentrates for 1,002,268 WMT, 47,552 WMT and 14,070 WMT until 2024, for an approximate total amount of US\$857,902.

In addition, as of December 31, 2019, the Company and Subsidiaries held commitments for the sale of Dore bars for 3,428,442 oz. for US\$69,597.

20. COST OF SALES

For the nine-month period ended September 30, cost of sales comprises the following:

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Beginning balance of concentrates (a)	11,214	15,347
Beginning balance of minerals (a)	11,319	11,814
Services provided by third parties, energy and others	115,042	157,356
Consumption of supplies	56,258	82,426
Depreciation (Note 11 (b))	36,653	76,770
Depreciation of right-of-use assets (Note 13)	12,585	13,847
Labor	38,063	51,937
Amortization (Note 12 (b))	29,083	49,522
Purchase of minerals and concentrates	-	1,016
Others	2,525	666
Ending balance of concentrates (a)	(6,417)	(15,006)
Ending balance of minerals (a)	(12,181)	(10,954)
Cost of sales - inventories	<u>294,144</u>	<u>434,741</u>
Cost of sales - Plant stoppage costs	37,407	14,923
Depreciation (Note 12 (b))	21,704	2,679
Amortization (Note 14 (b))	<u>2,536</u>	<u>1,202</u>
Total	<u><u>355,791</u></u>	<u><u>453,545</u></u>

(a) Beginning and ending balances include concentrates and minerals from subsidiaries Empresa Administradora de Cerro S.A.C. and Óxidos de Pasco S.A.C. which have been classified as held for sale (Note 13).

21. OTHER INCOME AND EXPENSES

For the nine-month period ended September 30, other income comprises the following:

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Other income:		
Profit from fair value adjustment of investment in Cosco Shipping Ports Chancay Perú S.A.	-	18,288
Income from the sale of energy to third parties	9,342	7,426
Income from treatment services of minerals and others	6,231	7,648
Income from the sale of sundry supplies	4,321	8,289
Reversal of provision for contingencies (Note 17)	3,347	649
Income from reversal of impairment of accounts receivable	679	-
Insurance compensation	328	764
Disposal of fixed assets	124	1,335
Others	4,203	7,526
Total	<u>28,575</u>	<u>51,925</u>

For the nine-month period ended September 30, other expenses comprise the following:

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Other expenses:		
Cost of sales of sundry supplies	3,777	7,701
Cost of sales of energy	3,261	4,031
Provision for contingencies (Note 19)	2,651	1,241
Sundry non-deductible expenses	1,725	6,147
Depreciation (Note 11 (b))	1,492	2,516
Amortization (Note 12 (b))	875	383
Contribution to OEFA and OSINERMING	868	2,923
Impairment of other accounts receivable	584	-
Tax administrative penalties	234	545
Mining fees and penalties for concession rights	128	729
Cost of disposal of fixed assets	151	5,591
Consulting services for the sale of TPCH (Cosco Shipping Ports Chancay Perú S.A.)	-	4,903
Cost of treatment service of minerals and others	-	2,170
Others	3,505	4,594
Total	<u>19,251</u>	<u>43,474</u>

22. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company and Subsidiaries updated their assessment of the recoverable value of long-term assets following the International Accounting Standard 36 Impairment of non-financial assets and concluded that there was no need to record an impairment adjustment as of September 30, 2020.

In 2019, as a consequence of an adjustment to the discount rate of Volcan, Management determined a reversal of the impairment estimate for US\$35,600 with an impact on deferred tax for US\$10,502. On the other hand, as a result of the assessment of other cash-generating units (CGU), Management determined a loss for the impairment estimate in constructions and buildings of Egerba and Huanchor for US\$14,505 and US\$5,108, respectively, with an impact on deferred income tax for US\$4,279 and US\$1,507, respectively.

	31/12/2019	
	Impairment recovery	Impairment estimate
	US\$000	US\$000
		Total
		US\$000
		(Audited)
Cash-generating units:		
Volcan	35,600	-
Huanchor	-	(5,108)
Egerba	-	(14,505)
Total	35,600	(19,613)
Recorded in:		
Property, plant and equipment (net) (Note 11)	-	(19,613)
Mining concessions, exploration and development costs and other intangibles (net) (Note 12)	35,600	-
Total	35,600	(19,613)

The impairment estimate was determined by the Company and Subsidiaries considering the value in use of each cash-generating unit (CGU). For the calculation of the value in use, flows were projected during the life of mine of each CGU. The nominal discount rate used, before taxes, was 6.4%. Volcan's mining units are aligned to the life of the mine, which is until 2035.

No changes have been identified in the uncertainty factors related to this estimate, except for the discount rate, which is 5.5%.

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.

23. FINANCIAL INCOME AND EXPENSES

For the nine-month period ended September 30, financial income and expenses comprise the following:

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Financial income		
Interests on loans granted	382	164
Other financial income	1,232	301
	<u>1,614</u>	<u>465</u>
Financial expenses		
Interests on issued bonds (Note 14)	22,655	22,655
Interests and expenses of financial obligations (a)	6,358	6,388
Exchange difference loss	5,200	1,317
Effect for the update of the present value of mine closure (Note 28)	2,369	3,019
Interests on lease liabilities	1,024	1,871
Effect for the update of the present value of communities	281	-
Commissions and other expenses	3,146	1,222
	<u>41,033</u>	<u>36,472</u>

- (a) As of September 30, 2020, this item includes swaps and prepaid expenses for US\$957 (US\$1,136 as of September 30, 2019).

24. INCOME TAX

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

	30/09/2020	30/09/2019
	US\$000	US\$000
	(Unaudited)	(Unaudited)
Income tax		
Current	(1,957)	(5,046)
Deferred (a)	3,870	(3,883)
	<u>1,913</u>	<u>(8,929)</u>
Special mining tax (b)	(545)	(1,393)
Tax on mining royalties (b)	(3,126)	(5,131)
Contribution to the mining retirement fund (c)	-	(69)
	<u>(1,758)</u>	<u>(15,522)</u>

Income tax expense of the interim period is accrued using the effective income tax rate for the taxable income for the interim period.

(a) Deferred Income tax balances

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

	Additions (deductions)					
	Balance as of January 1, 2019	Statement of profit or loss	Statement of changes in equity	Transfer Assets/Liabili- ties held for sale	Disposal of Cosco Shipping Ports Chancay Perú S.A.	Balance as of December 31, 2019
	US\$000	US\$000	US\$000	US\$000		US\$000 (Audited)
Deferred asset						
Depreciation expense of property, plant and equipment (net)	44,064	3,410	-	(22,845)	-	24,629
Amortization expense of mining rights and concessions, exploration, development and stripping costs	57	(3)	-	-	-	54
Provision for mines closure	53,423	(16,706)	-	(679)	-	36,038
Operating lease liability	-	6,903	-	(53)	-	6,850
Fair value of derivative financial instruments	2,361	(2,123)	218	-	-	456
Provision for contingencies	7,781	(251)	-	(162)	-	7,368
Obsolescence estimate for inventories	1,944	336	-	(356)	-	1,924
Recoverable tax loss carryforward	8,172	(7,199)	-	-	(973)	-
Embedded derivatives and sales adjustments	-	1,858	-	-	-	1,858
Effect for translation of tax benefits into U.S. dollars	2,581	1,625	-	(4,206)	-	-
Fair value of shares of Cementos Polpaico S.A.	2,847	-	2,727	-	-	5,574
Provision for community agreements	6,436	(1,427)	-	-	-	5,009
Vacations payable	1,612	10	-	(50)	-	1,572
Provision for doubtful accounts	1,250	(1,158)	-	-	-	92
Others	2,622	(1,682)	-	(14)	-	926
Total	135,150	(16,407)	2,945	(28,365)	(973)	92,350
Deferred liability						
Amortization benefits of mining rights and concessions, exploration, development and stripping costs	(227,455)	(20,299)	-	60,449	-	(187,305)
Depreciation benefits of property, plant and equipment (net)	(12,423)	(355)	-	10,095	794	(1,889)
Effect for translation of tax benefits into U.S. dollars	(46,951)	10,844	-	10,850	-	(25,257)
Fair value of derivative financial instruments	(596)	(1,317)	-	-	-	(1,913)
Valuation of stockpiles	(2,287)	91	-	2,196	-	-
Fair value adjustments of investment in associate	-	(5,395)	-	-	-	(5,395)
Insurance compensation	(2,025)	-	-	-	-	(2,025)
Embedded derivatives	-	(38)	-	38	-	-
Revaluation surplus and profit in beneficial terms for business combination TPCH (now Cosco Shipping Ports Chancay Perú S.A.)	(42,351)	-	-	-	42,351	-
Sales adjustments	(113)	113	-	-	-	-
Capitalization of expenses for bond issuance	(416)	134	-	-	-	(282)
Others	(90)	(11,183)	-	-	-	(11,273)
Total	(334,707)	(27,405)	-	83,628	43,145	(235,339)
Net asset (liability)	(199,557)	(43,812)	2,945	55,263	42,172	(142,989)

(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 amount paid 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 the Complementary Mining, Metallurgical and Iron and Steel Fund (FCJMMS for its Spanish acronym) will be managed by the Consolidated Fund of Social Security Reserves (FCR for its Spanish acronym), 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 Spanish acronym).

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 2019 is 29.5%.

(ii) Open years to tax review

Income tax returns from 2010 to 2014 have not been reviewed by the tax administration yet, which is empowered to conduct those reviews within four years immediately after the submission date of pertinent tax returns. Income tax returns from 2015 to 2019 and value-added tax for the periods from December 2015 to December 2019 will be reviewed by the Tax Administration.

Entity	Years open to tax review by the Tax Administration - VAT
Volcan Compañía Minera S.A.A.	2016 - 2019
Compañía Minera Chungar S.A.C. (1)	2016 - 2019
Empresa Explotadora de Vinchos Ltda. S.A.C.	2016 - 2019
Empresa Minera Paragsha S.A.C.	2016 - 2019
Empresa Administradora Cerro S.A.C.	2016 - 2019
Minera San Sebastián AMC S.R.L.	2016 - 2019
Compañía Minera Vichaycocha S.A.C.	2016 - 2019
Hidroeléctrica Huanchor S.A.C.	2016 - 2019
Empresa de Generación Eléctrica Río Baños S.A.C.	2016 - 2019
Compañía Hidroeléctrica Tingo S.A.	2016 - 2019
Óxidos de Pasco S.A.C.	2016 - 2019
Roquel Global S.A.C.	2017 - 2019
Cía. Industrial Ltda. Huacho S.A.	2016 - 2019
Corporación Logística Chancay S.A.C.	2017 - 2019

Entity	years open to tax review by the Tax Administration - Income tax
Volcan Compañía Minera S.A.A.	2016 - 2019
Compañía Minera Chungar S.A.C. (1)	2016 - 2019
Empresa Explotadora de Vinchos Ltda. S.A.C.	2016 - 2019
Empresa Minera Paragsha S.A.C.	2016, 2018, 2019
Empresa Administradora Cerro S.A.C.	2016, 2018, 2019
Minera San Sebastián AMC S.R.L.	2016 - 2019
Compañía Minera Vichaycocha S.A.C.	2016 - 2019
Hidroeléctrica Huanchor S.A.C.	2016, 2018, 2019
Empresa de Generación Eléctrica Río Baños S.A.C	2016 - 2019
Compañía Hidroeléctrica Tingo S.A.	2016 - 2019
Óxidos de Pasco S.A.C	2016, 2018, 2019
Roquel Global S.A.C.	2017 - 2019
Cía. Industrial Ltda. Huacho S.A.	2016 - 2018
Corporación Logística Chancay S.A.C.	2017 - 2019

- (1) The merger under which Compañía Minera Alpamarca S.A.C. absorbed all the equity of Empresa Administradora Chungar S.A.C., which extinguished without liquidation, became effective on January 1, 2016. After the merger, Compañía Minera Alpamarca S.A.C. changed its corporate name to Compañía Minera Chungar S.A.C., which became the sole owner of the rights and obligations that may arise from the review of tax authorities.

Due to possible interpretations that tax authorities may have on applicable regulations each year, it is not possible to determine to date whether liabilities for the Company and Subsidiaries will arise or not from the reviews to be conducted. Therefore, any high tax or charge that may result from those tax reviews may be applied to profit or loss for the period when determined. However, Management estimates that no significant liabilities will arise as a result of pending reviews.

(iii) Transfer pricing

The Company and Subsidiaries have submitted the local report, master report and report per country for 2019 to the Tax Administration and are now preparing the pertinent reports for 2020.

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 unaudited interim condensed consolidated financial statements as of September 30, 2020 and December 31, 2019, in relation to transfer pricing.

(iv) Income tax payable

The Company and Subsidiaries have a credit balance with the Tax Administration for US\$913 as of September 30, 2020 (US\$8,877 as of December 31, 2019) (Note 16).

25. BASIC AND DILUTED EARNINGS PER SHARE

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

As of September 30, 2020 and December 31, 2019, diluted earnings per common share have 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.

	30/09/2020	30/09/2019	31/12/2019
	US\$000	US\$000	US\$000
	(Unaudited)	(Unaudited)	(Audited)
Net loss	(69,686)	(1,768)	(70,328)
Average common shares - thousands of units	3,857,602	3,857,633	3,857,633
Net (loss) profit for the year for basic and diluted earnings per share	(0.01806)	(0.00046)	(0.01823)

26. INFORMATION PER BUSINESS SEGMENT

The Company organizes its activities in six business segments: Volcan, Chungar, Cerro, Oxidos, 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.
- Oxidos: treatment of oxidized minerals in mining unit of Oxidos, which comprises oxide stockpiles, oxides in site, pyrite stockpiles and the Oxidos leach pad.
- Investments: include operations of its Subsidiary Empresa Minera Paragsha S.A.C.
- Energy: includes operations in hydroelectric power plants: Huanchor, Tingo and Rucuy.
- Others: include operations of port, non-operating and other subsidiaries.

Data of interest per business segment as of September 30, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019, is presented in the tables below:

As of September 30, 2020 and for the year then ended (Unaudited):

	Volcan US\$000	Chungar US\$000	Cerro US\$000	Óxidos US\$000	Investment US\$000	Energy US\$000	Others US\$000	Deletions US\$000	Total US\$000 (Unaudited)
Total assets	2,320,729	775,970	50,781	217,190	251,332	139,598	40,441	(1,637,040)	2,159,001
Total liabilities	1,331,242	491,615	141,744	58,309	84,897	93,334	55,003	(596,597)	1,659,547
Sales	181,260	122,920	25,380	39,430	-	9,563	-	(22,998)	355,555
Gross profit	(4,599)	(5,756)	(8,120)	4,353	-	3,658	-	10,228	(236)
Operating expenses	(37,501)	(15,749)	(4,879)	(3,115)	(559)	(3,050)	(1,700)	9,705	(56,848)
Other operating income	20,199	4,283	6,529	507	146	1,944	527	(5,560)	28,575
Operating profit (loss)	(21,898)	(17,223)	(6,462)	1,751	(412)	2,546	(1,176)	14,365	(28,509)
Net (loss) profit for the year	(44,504)	(14,255)	(13,454)	(5,646)	824	(1,813)	(5,023)	14,185	(69,686)
Detail of sales									
Local sales	144,932	68,995	17,330	-	-	9,563	-	(23,231)	217,589
International sales	27,645	48,648	8,140	39,430	-	-	-	-	123,863
Embedded derivative, adjustment of open temporary liquidations and execution of financial instruments	8,683	5,277	(90)	-	-	-	-	233	14,103
	181,260	122,920	25,380	39,430	-	9,563	-	(22,998)	355,555

As of December 31, 2019 (Audited) and for the nine-month period ended September 30, 2019 (Unaudited):

	Volcan US\$000	Chungar US\$000	Cerro US\$000	Óxidos US\$000	Investment US\$000	Energy US\$000	Others US\$000	Deletions US\$000	Total US\$000
Total assets	2,261,543	853,459	78,807	260,620	270,589	149,304	42,658	(1,747,817)	2,169,163
Total liabilities	1,227,337	552,578	156,316	96,093	85,662	111,151	52,197	(682,900)	1,598,434
Sales	286,027	187,222	31,605	50,784	-	7,952	-	(27,319)	536,271
Gross profit	46,015	37,623	(7,193)	6,007	-	2,093	(269)	(1,550)	82,726
Operating expenses	(61,293)	(35,083)	(5,880)	(3,817)	(1,809)	(3,150)	(3,312)	13,932	(100,412)
Other operating income	24,457	8,466	6,389	2,225	-	2,960	686	(11,546)	33,637
Operating profit (loss)	9,189	11,006	(6,684)	4,415	(2,290)	1,903	(2,895)	1,307	15,951
Net profit (loss) for the year	31,798	(4,350)	(8,359)	467	(5,304)	(439)	(4,711)	(26,392)	(17,290)
Detail of sales									
Local sales	245,123	150,201	21,704	-	-	7,952	-	(27,710)	397,270
International sales	44,822	40,545	9,998	50,784	-	-	-	-	146,149
Embedded derivative, adjustment of open temporary liquidations and execution of financial instruments	(3,918)	(3,524)	(97)	-	-	-	-	391	(7,148)
	286,027	187,222	31,605	50,784	-	7,952	-	(27,319)	536,271

27. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

(a.1) Volcan Compañía Minera S.A.A.

Based on the opinion of its external and internal legal advisors, the Company's Management has reviewed all tax, labor, civil, administrative and other proceedings, and has determined and established a provision for probable contingencies for US\$16,905, which is presented in item "Provisions" of the consolidated statement of financial position as of September 30, 2020 (US\$15,683 as of December 31, 2019). The Company's Management and its legal advisors believe that this provision adequately covers probable contingencies.

In relation to possible contingencies, external and internal legal advisors of the Company determined an amount of US\$27,596 (US\$31,399 as of December 31, 2019), which corresponds to several proceedings addressed by the Company.

Civil and labor proceedings

As of September 30, 2020, certain labors lawsuits have been filed against the Company for US\$7,174 (US\$7,391 as of December 31, 2019), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. Contingencies classified as possible amount to US\$13,568 (US\$16,600 as of December 31, 2019) for compensations for occupational disease,

refund of social benefits, payment of profit sharing, replacement of employees and others.

Tax proceedings

As of September 30, 2020 and 2019, 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.

Tax determination resolutions, fine and interest resolutions correspond to criteria differences in the determination of tax bases for the settlement of third-category income tax and value-added tax from 1998 to 2014, and according to the National Superintendence of Tax Administration (SUNAT), to the omitted payment of taxes.

The Company's Management considers that these proceedings represent a probable contingency of US\$3,772, which is presented in item "Provisions" of the consolidated statement of financial position as of September 30, 2020 (US\$4,440 as of December 31, 2019).

In addition, other tax proceedings were classified as possible, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT) for not complying with the causality principle or for not having the pertinent support, among other related concepts. These possible contingencies amount to US\$13,818 as of September 30, 2020 (US\$14,599 as of December 31, 2019).

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. As of September 30, 2020, contingencies classified as probable are presented in item "Provisions" of the consolidated statement of financial position for US\$5,959 (US\$3,852 as of December 31, 2019) and possible contingencies amount to US\$210 as of September 30, 2020 (US\$200 as of December 31, 2019).

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

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

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative and other proceedings, and has determined and established a provision for probable contingencies for US\$3,148, which is presented in item "Provisions" of the consolidated statement of financial position as of September 30, 2020 (US\$3,802 as of December 31, 2019). 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\$8,221 as of September 30, 2020 (US\$3,506 as of December 31, 2019), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of September 30, 2020, certain labors lawsuits have been filed against Chungar for US\$610 (US\$759 as of December 31, 2019), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. Contingencies classified as possible amount to US\$4,149. There are no contingencies classified as possible as of December 31, 2019 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 September 30, 2020 and 2019, Chungar has not yet resolved some administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and the Tax Court for certain tax determination resolutions, fine and interest resolutions.

Tax determination resolutions, fine and interest resolutions mainly correspond to criteria differences in the determination of tax bases for the settlement of third-category income tax and value-added tax from 2001 to 2005 and from 2012 to 2015, and according to the National Superintendence of Tax Administration (SUNAT), to the omitted payment of taxes. To this date, these proceedings have been responded at an administrative level as a claim to the National Superintendence of Tax Administration (SUNAT) and an appeal to the Tax Court, as well at a legal level before the Judiciary.

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\$351 as of September 30, 2020 (US\$509 as of December 31, 2019).

Finally, there are other contingencies that have derived from concept discrepancies with the Tax Administration and have been classified as possible for US\$3,796 as of September 30, 2020 (US\$3,506 as of December 31, 2019).

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. As of September 30, 2020 contingencies classified as probable for US\$2,187, are presented in item "Provisions" of the consolidated statement of financial position (US\$2,534 as of December 31, 2019).

Contingencies classified as possible amount to US\$276. There are no contingencies classified as possible as of December 31, 2019.

(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\$4,913, which is presented in item "Liabilities directly associated with assets classified as held for sale" of the consolidated statement of financial position as of September 30, 2020 (US\$6,615 as of December 31, 2019). Management and its legal advisors believe that this provision adequately covers probable contingencies.

In relation to possible contingencies, external legal advisors determined an amount of US\$1,022 (US\$4,052 as of December 31, 2019), which corresponds to several proceedings addressed by the Subsidiary.

Labor proceedings

As of September 30, 2020, certain labors lawsuits have been filed against the Subsidiary for US\$2,809 (US\$3,397 as of December 31, 2019), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. Contingencies classified as possible amount to US\$954 (US\$3,600 as of December 31, 2019) 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 September 30, 2020 and 2019, 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 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 responded 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\$1,023 as of September 30, 2020 (US\$1,109 as of December 31, 2019).

The contingencies classified as possible amount to US\$18. As of December 31, 2019, there are no contingencies classified as possible that have derived from concept discrepancies with the Tax Administration.

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. As of September 30, 2020, contingencies classified as probable for US\$1,081 are presented in item "Provisions" of the consolidated statement of financial position (US\$2,108 as of December 31, 2019) and contingencies classified as possible amount to US\$50 (US\$452 as of December 31, 2019).

Pursuant to the commercial agreement entered into with Cerro de Pasco Resources Inc. and in compliance with IFRS 5 Non-current assets held for sale and discontinued operations, provision for contingencies have been reclassified as liabilities directly associated with assets classified as held for sale (Note 14).

(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\$899, which is presented in item "Provisions" of the consolidated statement of financial position as of September 30, 2020 (US\$626 as of December 31, 2019) and contingencies classified as possible amount to US\$701. Management and its legal advisors believe that this provision adequately covers probable contingencies.

Labor proceedings

As of September 30, 2020, labor lawsuits have been filed against the Company for US\$8, which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position.

Contingencies classified as possible amount to US\$5 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 September 30, 2020, some tax proceedings have been filed against the Company, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT), classified as possible for US\$696 (US\$738 as of December 31, 2019).

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental, safety proceedings with the following regulatory entities: OSINERGMIN and OEFA for alleged breach of several environmental standards and the provisions of the Safety and Occupational Health Regulations. As of September 30, 2020, contingencies classified as probable for US\$891 are presented in item "Provisions" of the consolidated statement of financial position.

(a.5) Hidroeléctrica Huanchor S.A.C.

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative and other proceedings, and has determined and established a provision for probable contingencies for US\$114, which is presented in item "Provisions" of the consolidated statement of financial position as of September 30, 2020 (US\$122 as of December 31, 2019). Management and its legal advisors believe that this provision adequately covers probable contingencies.

Tax proceedings

As of September 30, 2020, some tax proceeding have been filed against the Company for US\$109 (US\$122 as of December 31, 2019), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position 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.

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental proceedings with OSINERGMIN for alleged breach of several standards. As of September 30, 2020, contingencies classified as probable for US\$5 are presented in item "Provisions" of the consolidated statement of financial position.

(a.6) Oxidos de Pasco S.A.C.

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental, safety proceedings with the following regulatory entities: OSINERGMIN and OEFA for alleged breach of several environmental standards and the provisions of the Safety and Occupational Health Regulations. As of September 30, 2020, contingencies classified as probable for US\$614 are presented in item "Liabilities directly associated with assets classified as held for sale" of the consolidated statement of financial position and contingencies classified as possible amount to US\$35.

(a.7) Compañía Minera Vichaycocha S.A.C.

Sanctioning administrative proceedings and contentious-administrative actions

The Subsidiary has not yet resolved certain environmental matters with OSINERGMIN for alleged breach of several standards. As of September 30, 2020, contingencies classified as probable amount to US\$228 are presented in item "Provisions" of the consolidated statement of financial position.

(b) Guarantees

The Company and Subsidiaries have letters of guarantee with financial entities in favor of:

- General Mining Board of the MEM that guarantees the compliance with the applicable Mine Closure Plans of the Company and Subsidiaries for US\$90,677 (US\$86,256 in 2019).
- National Superintendence of Tax Administration (SUNAT) for US\$36,596 to guarantee debts and obligations held with the Tax Administration, maturing in 2020 (US\$34,498 in 2019).
- Third parties that guarantee compliance with payments for the provision of services for US\$2,349 (US\$1,081 in 2019).

28. ENVIRONMENTAL OBLIGATIONS

Provision for the closure of mining units

The Congress of the Republic of Peru issued Law 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 28090 were published on August 16, 2005.

In 2019 and 2018, the Company and Subsidiaries submitted the updates of the Mine Closure Plan of their main mining units to the Ministry of Energy and Mines.

As of September 30, 2020, the Company and Subsidiaries recognized a liability of US\$134,947 for all their mining units (US\$133,564 as of December 31, 2019), in relation to their obligations for future closure:

	30/09/2020	31/12/2019
	US\$000	US\$000
	(Unaudited)	(Audited)
Mining unit		
Chungar	35,872	35,559
Carahuacra	30,361	29,963
San Cristóbal	27,440	27,187
Andaychagua	15,543	15,428
Alpamarca	10,297	10,269
Vinchos	7,642	7,523
Ticlío	3,861	3,756
Vichaycocha	3,551	3,503
Toruna	35	35
San Sebastian	345	341
Total (Note 19)	<u>134,947</u>	<u>133,564</u>

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

	US\$000
Balance as of January 1, 2019 (Audited)	183,697
Changes in estimates	(48,718)
Increase for update of present value of provision	3,598
Payments	(5,013)
Balance as of December 31, 2019 (Audited)	133,564
Changes in estimates	988
Increase for update of present value of provision (Note 27)	2,369
Payments	(1,658)
Transfer of assets/liabilities held for sale	(316)
Balance as of September 30, 2020 (Unaudited)	134,947

The provision for the closure of mining units represents the present value of closure costs that are expected to be incurred between 2020 and 2036. For 2020 and 2019, the discount rate used for the calculation of the present value is 1.8%. Changes in estimates consider the change in the rate, the inclusion of new units to the closure plan, 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. 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. Closure budgets are regularly reviewed to take into account any significant change in conducted studies. However, closure costs of the mining unit will depend on market prices of required closure works that will reflect future economic conditions.

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

As of September 30, 2020, the nominal value of the provision for the closure of mining units is US\$145,565, which has been discounted using the annual risk-free rate of 1.8%, resulting in a net present value of US\$134,947 (nominal value of US\$146,948 as of December 31, 2019, using an annual risk-free rate of 1.8%, resulting in a net present value of US\$133,564). 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.

29. REMUNERATIONS PAID TO KEY PERSONNEL

The accrued compensation to the Board members and key management of the Company and Subsidiaries for the periods ended September 30, 2020 and 2019 amounted to US\$7.7million and US\$6.2million, respectively, and corresponds to salaries, benefits and social charges, bonuses and extraordinary allowances.

30. NON-MONETARY TRANSACTIONS AND STATEMENT OF CASH FLOWS

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

2020

- Assets acquired under finance leases for US\$6,512.
- Acquisition of property, plant and equipment, which have not been paid yet, for US\$8,728.

- Acquisition of mining concessions, exploration and development costs and other intangibles, which have not been paid yet, for US\$8,084.

2019

- Derecognition of Cosco Shipping Ports Chancay Perú S.A. for US\$775.
- Assets acquired under finance leases for US\$3,798.
- Acquisition of property, plant and equipment, which have not been paid yet, for US\$17,376.
- Acquisition of mining concessions, exploration and development costs and other intangibles, which have not been paid yet, for US\$31,084.

31. SUBSEQUENT EVENTS

We are not aware of any subsequent events occurring after the closing date of these interim consolidated financial statements for the nine-month period ended September 30, 2020, that may significantly affect them, except for the following:

- On November 2, 2020, the Company informed to the Superintendence of Securities Market (SMV for its Spanish acronym) that the term for closing the transaction agreed in the third addendum to the agreement entered into with Cerro de Pasco Resources Inc. (Note 1 c.4) expired on October 30, 2020, and precedent conditions were not able to be verified. The Company also informed that they would continue evaluating the compliance with these conditions together with Cerro de Pasco Resources Inc. However, in Management's opinion, the compliance with these conditions is not probable in the foreseeable future and this transaction will not occur in the short term; therefore, the Company is currently evaluating if conditions are met to cease the classification of those assets as held for sale.
- On November 2, 2020, the Board of Directors approved to announce the selling process of certain electrical assets, including the hydroelectrical assets: Rucuy, Huanchor, Tamboraque I, Tamboraque II, Project Central Hidroelectrica Chancay II and III and transmission line Paragsha Francoise. The Company's financial advisors are currently identifying potential interested parties; however, the Company has evaluated that due to market conditions, it is not probable that the Board of Directors would approve this transaction based on non-bidding offers received.
- On December 22, 2020 the "Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles" (SENACE) approved the Modification of the Detailed Environmental Impact Study (MEIA-d) of the Expansion project of the Port Operative Zone - Stage 1 of the Chancay Multipurpose Port Terminal.
- On January 19, 2021, the Board of Directors unanimously approved to propose to the Shareholders' Meeting: a) an issuance of bonds for the amount of up to US \$535 million and the partial or total buyback offer of existing bonds maturing in 2022 and b) a capital increase up to the amount in soles equivalent to US\$400 million through new monetary contributions to be made in the third quarter of 2021.
- On January 27, 2021, according to Supreme Decree No. 008-2021 of the Peruvian government, the State of National Emergency was extended for 28 days, from February 1 to 28, 2021 and restrictions to face the pandemic (COVID-19) were declared. Business activities were not restricted.

Volcan Compañía Minera S.A.A. and Subsidiaries

Independent Auditors' Report

Consolidated Financial Statements

For the Years Ended
December 31, 2019 and 2018

(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

1. We have audited the accompanying consolidated financial statements of **Volcan Compañía Minera S.A.A. ("the Company") and Subsidiaries**, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

2. 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 of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved by the Board of Deans of the Peruvian Professional Associations of Certified Public Accountants for their application in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of **Volcan Compañía Minera S.A.A. and Subsidiaries** as of December 31, 2019 and 2018, their consolidated financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis of matter

7. Without modifying our audit opinion, we draw attention to Note 37 to the accompanying consolidated financial statements, which indicates that, as a result of the decrease of the demand of minerals from the Chinese market and the adverse impact of COVID-19, the quotation of the price of minerals traded by the Company and Subsidiaries is declining significantly in international markets. At the date of this report, Management is monitoring this situation and evaluating the impact on its capital and financial position, its results of operations and future cash flows.

Other matter

8. The translation of this report into English has been made solely for the convenience of English-speaking readers.

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

Countersigned by:

 (Partner)
Karla Velásquez Alva
CPC Registration No. 21595

March 20, 2020

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018
(In thousands of U.S. dollars (US\$000))**

	<u>Notes</u>	<u>2019</u> <u>US\$000</u>	<u>2018</u> <u>US\$000</u>	
ASSETS				LIABILITIES AND EQUITY
CURRENT ASSETS:				CURRENT LIABILITIES:
Cash and cash equivalents	6	33,828	62,950	Bank overdrafts
Trade accounts receivable (net)	8	36,159	41,842	Financial obligations
Other accounts receivable (net)	9	73,906	168,597	Trade accounts payable
Other financial assets	10	5,416	640	Other accounts payable
Inventories (net)	11	<u>36,709</u>	<u>64,640</u>	Other financial liabilities
		186,018	338,669	
Assets classified as held for sale	15	<u>301,986</u>	<u>-</u>	Liabilities directly associated with assets classified as held for sale
Total current assets		<u>488,004</u>	<u>338,669</u>	Total current liabilities
NON-CURRENT ASSETS:				NON-CURRENT LIABILITIES:
Other accounts receivable	9	7,990	6,992	Financial obligations
Financial investments	7	193,794	53,305	Provisions
Inventories (net)	11	-	7,752	Deferred income tax
Property, plant and equipment (net)	12	676,790	978,205	
Right-of-use assets	13	22,463	-	Total non-current liabilities
Mining concessions, exploration and development costs and other intangibles (net)	14	<u>780,122</u>	<u>840,067</u>	Total liabilities
Total non-current assets		<u>1,681,159</u>	<u>1,886,321</u>	EQUITY:
				Issued capital stock
				Treasury shares
				Legal reserve
				Share premium
				Revaluation surplus
				Unrealized earnings
				Retained earnings
				Total net equity
TOTAL		<u>2,169,163</u>	<u>2,224,990</u>	TOTAL

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, 2019 AND 2018 (In thousands of U.S. dollars (US\$000))

	Notes	2019 US\$000	2018 US\$000
Net sales	21	743,578	775,102
Cost of sales	22	<u>(596,403)</u>	<u>(546,383)</u>
Gross profit		147,175	228,719
Administrative expenses	23	(58,275)	(61,877)
Selling expenses	24	(23,199)	(27,185)
Other income	25	66,840	56,297
Other expenses	25	(119,923)	(77,361)
Reversal of impairment of long-lived assets	26	35,600	109,972
Impairment loss of long-lived assets	26	<u>(19,613)</u>	<u>(69,261)</u>
Operating profit		28,605	159,304
Financial income	27	1,842	649
Financial expenses	27	<u>(48,386)</u>	<u>(45,488)</u>
(Loss) profit before income tax		(17,939)	114,465
Income tax expense	28	<u>(52,389)</u>	<u>(85,090)</u>
Net (loss) profit for the year		<u>(70,328)</u>	<u>29,375</u>
Weighted average of the number of outstanding shares (in thousands)	29	<u>3,857,618</u>	<u>3,857,668</u>
Basic and diluted (loss) earnings per share	29	<u>(0.018)</u>	<u>0.008</u>

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 (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of U.S. dollars (US\$000))**

	2019	2018
	US\$000	US\$000
Net (loss) profit for the year	(70,328)	29,375
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that can be subsequently reclassified to the statement of profit or loss:		
Unrealized (loss) gain on investments in equity instruments	(9,247)	950
Unrealized (loss) gain on derivative financial instruments	(738)	29,734
Deferred income tax	<u>2,946</u>	<u>(9,052)</u>
Total other comprehensive income (loss) that can be subsequently reclassified to the statement of profit or loss	<u>(7,039)</u>	<u>21,632</u>
Total comprehensive income (loss), net of income tax	<u>(77,367)</u>	<u>51,007</u>

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, 2019 AND 2018 (In thousands of U.S. dollars (US\$000))

	Issued capital stock US\$000 Note 20 (a)	Treasury shares US\$000 Note 20 (b)	Legal reserve US\$000 Note 20 (c)	Share premium US\$000 Note 20 (d)	Reva sur US Note
Balance as of January 1, 2018	1,134,300	(61,222)	1,055	(174,320)	
Comprehensive income					
Net profit for the year	-	-	-	-	
Other comprehensive income for the year	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	
Distribution of dividends	-	-	-	-	
Adjustments	-	(63)	-	1,519	
Balance as of December 31, 2018	<u>1,134,300</u>	<u>(61,285)</u>	<u>1,055</u>	<u>(172,801)</u>	
Comprehensive income					
Net loss for the year	-	-	-	-	
Other comprehensive loss for the year	-	-	-	-	
Total comprehensive loss for the year	-	-	-	-	
Derecognition of Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.)	-	-	-	-	
Legal reserve	-	-	10,700	-	
Adjustments	-	359	-	(416)	
Balance as of December 31, 2019	<u>1,134,300</u>	<u>(60,926)</u>	<u>11,755</u>	<u>(173,217)</u>	

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, 2019 AND 2018
(In thousands of U.S. dollars (US\$000))**

	2019	2018
	US\$000	US\$000
OPERATING ACTIVITIES:		
Collection from:		
Sales	831,377	909,295
Reimbursement of tax credit benefits	29,834	20,456
Payments to/for:		
Suppliers and third parties	(521,438)	(524,384)
Employees	(106,150)	(103,668)
Income tax	(10,538)	(32,604)
Royalties	(8,506)	(16,827)
Income (expense) from hedging transactions	2,060	(16,870)
Net cash and cash equivalents provided by operating activities	216,639	235,398
INVESTMENT ACTIVITIES:		
Collection from:		
Other investment activities	-	1,689
Payments for:		
Purchase of property, plant and equipment	(89,088)	(80,461)
Purchase of intangible assets	(82,043)	(114,522)
Net cash and cash equivalents used in investment activities	(171,131)	(193,294)
FINANCING ACTIVITIES:		
Collection from:		
Financial obligations	290,000	223,515
Other financial liabilities	37,840	-
Payments for:		
Financial obligations	(336,371)	(244,439)
Overdrafts and other financial liabilities	(24,177)	(9,606)
Interests	(39,479)	(35,545)
Dividends	(48)	(14,908)
Net cash and cash equivalents used in financing activities	(72,235)	(80,983)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,728)	(38,879)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	62,950	101,829
	36,222	62,950
CASH AND CASH EQUIVALENTS CLASSIFIED AS HELD FOR SALE	(2,394)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	33,828	62,950

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

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Amounts expressed in thousands of U.S. dollars)

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

(a) Incorporation and economic activity

Volcan Compañía Minera S.A.A. (hereinafter “the Company”) is a subsidiary of Glencore AG, which is a subsidiary of Glencore Plc., a company domiciled in Switzerland, hereinafter the Parent, owner of 63% of common class A voting shares and an economic interest of 23%, excluding treasury shares.

The Company was incorporated on February 1, 1998 in Lima, Peru.

Total common class A voting shares and class B non-voting shares comprising the capital stock of the Company are listed in the Stock Exchange of Lima.

The Company is mainly engaged in the exploration and operation of mining concessions and the extraction, concentration, treatment and commercialization of polymetallic minerals. The economic activity of its Subsidiaries is explained in paragraph (c).

The Company and the Subsidiaries engaged in the mining sector, operate the mining units of Yauli, Animon, Alpamarca, Cerro and Oxidos in the departments of Cerro de Pasco, Junín and Lima. The Subsidiaries engaged in the electric power generation business have authorizations and electric power generation concessions for self-consumption in their mining operations of Animon and for selling to third parties through firm power or spot price agreements. Subsidiaries Huanchor and EGERBA engaged in the electric power generation business operate in the department of Lima and are connected to SEIN.

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

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

(b) Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2019 have been approved by the Company’s Management on March 20, 2020 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 Shareholders’ Meeting as presented. The consolidated financial statements as of December 31, 2018 were approved by the Shareholders’ Meeting held on April 16, 2019.

(c) Subsidiaries

The Subsidiaries, which are included in the accompanying consolidated financial statements, are presented below:

Consolidated Subsidiaries and economic activity	Direct and indirect interest in ownership		Country of domicile
	As of	As of	
	31.12.2019	31.12.2018	
	%	%	
Mining exploration and operation:			
Compañía Minera Chungar S.A.C.	100.00	100.00	Peru
Óxidos de Pasco S.A.C. (4)	100.00	100.00	Peru
Empresa Administradora de Cerro S.A.C. (4)	100.00	100.00	Peru
Empresa Explotadora de Vinchos Ltda. S.A.C.	100.00	100.00	Peru
Minera Aurífera Toruna S.A.C. (1)	80.00	80.00	Peru
Minera San Sebastián AMC S.R.L.	100.00	100.00	Peru
Compañía Minera Vichaycocha S.A.C.	100.00	100.00	Peru
Electric power generation:			
Hidroeléctrica Huanchor S.A.	100.00	100.00	Peru
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	100.00	100.00	Peru
Compañía Hidroeléctrica Tingo S.A. (3)	100.00	100.00	Peru
Public services from private investment:			
Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.) (5)	-	100.00	Peru
Investments in general:			
Roquel Global S.A.C.	100.00	100.00	Peru
Corporación Logística Chancay S.A.C.	100.00	100.00	Peru
Remediadora Ambiental S.A.C. (4)	100.00	100.00	Peru
Compañía Industrial Limitada de Huacho S.A.	96.41	96.41	Peru
Empresa Minera Paragsha S.A.C.	100.00	100.00	Peru

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
- (2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
- (3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.
- (4) Subsidiaries classified as assets held for sale (Note 15).
- (5) Associate company, in which 40% of interest is held.

Compañía Minera Chungar S.A.C.

This Subsidiary has two mining units, Animon and Alpamarca, located in the department of Pasco and is engaged in the exploration, development and operation of mineral deposits, basically with contents of zinc, copper and lead. It has 226 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

In addition, the Subsidiary has 10 hydroelectric power plants, from which 9 are located in Hualar 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 Explotadora de Vinchos Ltda. S.A.C.

This Subsidiary does not perform mining activities since 2015 because Management decided to redirect its activities in other Subsidiaries of the Company. As from 2019, Management decided to conduct explorations to reconsider the potential of its deposit to proceed with the development and operation provided it is viable and profitable; otherwise, it will enter into a simple reorganization process in the short term and will be absorbed by an operating subsidiary of the Company in order to search for synergies for the development of its projects. This subsidiary has 5 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

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

These subsidiaries were incorporated for the exploration, development and operation of mineral deposits being their main activity, the exploration in their mining concessions through the financing of the Company and Subsidiaries. No activities have been conducted in 2019.

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

Subsidiaries Toruna, Minera San Sebastián and Compañía Minera Vichaycocha have 7, 4 and 204 mining concessions, respectively, with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33.

Hidroeléctrica Huanchor S.A.C.

It is mainly engaged in the sale of energy through the operation and maintenance of electric transmission system generation plants. For this purpose, it has the Huanchor hydroelectric power plant of 19.632 MW and mini hydroelectric power plant of Tamboraque of 1.2 MW, both located in the district of San Mateo, province of Huarochiri, Lima. This subsidiary has a definite electrical concession.

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

It is mainly engaged in the sale of energy through the operation and maintenance of Rucuy hydroelectric power plant of 20 MW, located in the district of Pacaraos, province of Huaral, department of Lima. This plant stopped its operations since March 2017 because of El Niño phenomenon, which caused damages in the penstock and the transmission line. The hydroelectric power plant of Rucuy resumed its operations in the first semester of 2019. This subsidiary has a definite electrical concession.

Compañía Hidroeléctrica Tingo S.A.

It is engaged in the operation and maintenance of generation plants and electrical energy transmission systems. It has the Tingo hydroelectric power plant of 1.25 MW and 82 km of transmission lines of 22.9 and 50 kv. This subsidiary has a definite electrical concession.

Roquel Global S.A.C.

It is engaged in the real estate business in order to perform port and logistics activities in relation to the Chancay Port. During 2019, it performed municipal procedures for the award of acquired land (sanitation stage). The financial statements of this subsidiary are presented consolidated with those of the Company since 2017.

Corporación Logística Chancay S.A.C.

Corporación Logística Chancay S.A.C. was incorporated as subsidiary since 2017. Its purpose is to engage in real estate business and port and logistics activities. This subsidiary is currently in the pre-operating stage.

Compañía Industrial Limitada de Huacho S.A.

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

Empresa Minera Paragsha S.A.C.

It was incorporated for exploration, operation, assignment and mining usufruct; however, currently, its main activity is the purchase and sale of investments in equity instruments. This subsidiary holds shares of the Company and Cementos Polpaico S.A. (Note 7) and has 47 mining concessions with an indefinite term.

Óxidos de Pasco S.A.C.

This subsidiary is currently engaged in the treatment of oxidized minerals at a leach pad. This subsidiary has one grant of benefits with an indefinite term.

Empresa Administradora de Cerro S.A.C.

This subsidiary is engaged in the exploration, development and operation of mineral deposits, basically with contents of zinc and lead. Now, the Subsidiary processes stockpiles since its mining operations have stopped. It develops its activities in its mining unit Cerro and has 35 mining concessions with an indefinite term. Relevant obligations and commitments related to the concession are mentioned in Note 33

Remediadora Ambiental S.A.C.

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

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 for those Subsidiaries, which are undergoing a liquidation process. Management believes that the financial statements of unconsolidated entities do not represent relevant balances for the consolidated financial statements that could affect the economic decisions of users.

Financial information of Subsidiaries

The financial statements of direct and indirect Subsidiaries (unaudited) as of December 31, 2019 are summarized below:

	Assets	Liabilities	Equity	Net profit
	US\$000	US\$000	US\$000	(loss)
				US\$000
Compañía Minera Chungar S.A.C.	853,459	552,578	300,881	(7,820)
Empresa Explotadora de Vinchos Ltda. S.A.C.	2,193	19,168	(16,975)	(7,048)
Empresa Minera Paragsha S.A.C.	270,589	85,662	184,927	(10,999)
Minera Aurífera Toruna S.A.C. (1)	29	1,262	(1,233)	(3,188)
Minera San Sebastián AMC S.R.L.	127	493	(366)	(1,488)
Compañía Minera Vichaycocha S.A.C.	190	6,638	(6,448)	(18,027)
Hidroeléctrica Huanchor S.A.C.	78,792	46,343	32,449	(1,914)
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	52,078	52,559	(481)	(23,223)
Compañía Hidroeléctrica Tingo S.A. (3)	18,961	2,852	16,109	890
Roquel Global S.A.C.	27,163	5,236	21,927	(25)
Corporación Logística Chancay S.A.C.	685	723	(38)	(31)
Compañía Industrial Limitada De Huacho S.A.	7,575	2,419	5,156	(575)
Unconsolidated entities	101	-	101	-
	1,311,942	775,933	536,009	(73,448)
Held for sale	Assets	Liabilities	Equity	Net loss
	US\$000	US\$000	US\$000	US\$000
Óxidos de Pasco S.A.C.	260,620	96,093	164,527	(10,289)
Empresa Administradora Cerro S.A.C.	78,807	156,316	(77,509)	(50,993)
Remediadora Ambiental S.A.C.	4,167	15,729	(11,562)	(11,664)
	343,594	268,138	75,456	(72,946)

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
- (2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
- (3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.

The financial statements of direct and indirect Subsidiaries (unaudited) as of December 31, 2018 are summarized below:

	Assets US\$000	Liabilities US\$000	Equity US\$000	Net profit (loss) US\$000
Compañía Minera Chungar S.A.C.	808,356	499,936	308,420	85,797
Óxidos de Pasco S.A.C.	281,746	170,653	111,093	10,334
Empresa Administradora Cerro S.A.C.	122,154	175,128	(52,974)	(38,954)
Empresa Explotadora de Vinchos Ltda. S.A.C.	9,210	19,497	(10,287)	(1,760)
Empresa Minera Paragsha S.A.C.	279,173	78,388	200,785	(30,721)
Minera Aurífera Toruna S.A.C. (1)	3,198	1,243	1,955	(704)
Minera San Sebastián AMC S.R.L.	1,121	628	493	(458)
Compañía Minera Vichaycocha S.A.C.	11,793	7,467	4,326	(4,157)
Hidroeléctrica Huanchor S.A.C.	79,395	45,032	34,363	709
Empresa de Generación Eléctrica Río Baños S.A.C. (2)	71,711	48,968	22,743	(3,053)
Compañía Hidroeléctrica Tingo S.A. (3)	17,359	2,139	15,220	309
Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.)	183,373	51,662	131,712	(649)
Roquel Global S.A.C.	23,929	1,977	21,952	10
Corporación Logística Chancay S.A.C.	216	223	(7)	(6)
Compañía Industrial Limitada De Huacho S.A.	9,346	3,615	5,731	(3,398)
Remediadora Ambiental S.A.C.	14,009	13,906	103	-
Unconsolidated entities	528	-	528	-
	<u>1,916,617</u>	<u>1,120,462</u>	<u>796,156</u>	<u>13,299</u>

- (1) Subsidiary of Empresa Minera Paragsha S.A.C. and indirect subsidiary of the Company.
- (2) Subsidiary of Hidroeléctrica Huanchor S.A. and indirect subsidiary of the Company.
- (3) Subsidiary of Compañía Minera Chungar S.A.C. and indirect subsidiary of the Company.

(d) 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), a company incorporated in the Republic of China, and its subsidiary Cosco Shipping (Chancay) Ports Limited (CSPL SPV), with the participation of Terminales Portuarios Chancay S.A. (now Cosco Shipping Ports Chancay Perú S.A.) (TPCH), 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 TPCH with 60% of shares of the capital stock for a value of US\$225,000, at the closing date. This is subject to the verification of the compliance with the Antitrust Law, provided by the international authorities of Ukraine and China.

The definite completion of the transaction is subject to the approval of the modification of the Environmental Impact Assessment (MEIA), which, according to Management, will be obtained in June 2020. If such approval is not obtained, CSPL may terminate the agreement, in which case the Company should partially compensate the amount invested and financed by CSPL at that date or extend it for a year. The agreement also includes certain restrictions and preferred options regarding the interest of both parties in the capital stock of TPCH.

On May 13, 2019, the strategic partner was incorporated with an interest of 60% of shares of TPCH through a capital increase. The Company holds and owns the remaining 40% of shares of the capital stock of Cosco Shipping Ports Chancay Perú S.A., thus, it became an associate since that date. See Note 7.

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.

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

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

	<u>As of 30.04.2019</u>
	US\$000
<u>Assets</u>	
Cash and cash equivalents	1,024
Other accounts receivable	61
Other long-term accounts receivable	2,455
Property, plant and equipment (net)	102,462
Mining concessions, exploration and development costs and other intangibles (net)	<u>80,295</u>
Total assets	<u><u>186,297</u></u>
<u>Liabilities</u>	
Trade accounts payable	201
Accounts payable to subsidiaries and affiliates	11,888
Other accounts payable	474
Deferred income tax	<u>42,135</u>
Total liabilities	54,698
<u>Equity</u>	
Issued capital stock	83,971
Revaluation surplus	30,307
Retained earnings	17,433
Profit or loss for the year	<u>(112)</u>
Total equity	131,599
Total liabilities and equity	<u><u>186,297</u></u>
<u>Profit or loss for the year</u>	
Administrative expenses	(169)
Exchange difference	20
Income tax expense	<u>37</u>
	<u><u>(112)</u></u>

(e) Bond issuance

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

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

On February 2, 2012, bonds known as "Senior Notes Due 2022" were issued and placed in its entirety in the international market for US\$600,000, at an annual rate of 5.375%, maturing in 10 years. Interests will be paid in semiannual installments from August 2, 2012 to February 2, 2022. Financial compliance covenants were not established for this obligation. Those funds were mainly destined to expansion projects of its Subsidiaries: i) Oxidos de Pasco S.A.C., for the development of the silver oxide plant and ii) Compañía Minera Alparmarca S.A.C. (now Compañía Minera Chungar S.A.C.), for the development of the Alparmarca mining unit – Pallanga River; having invested in camps, tailings facilities,

concentrator plant and mine development. In addition, funds were used in the acquisition of the hydroelectric power plant Huanchor.

As of December 31, 2019 and 2018, total bond issuance amounted to US\$535,264 since bonds were repurchased for US\$64,736 in 2016. The Company's Management and its legal advisors believe that the Company does not have any noncompliance event derived from the bond issuance agreement.

(f) *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 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.

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

In November 2019, the Company entered into a purchase agreement with the Canadian company Cerro de Pasco Resources Inc. for the sale of its shares in its Subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. The transaction is subject to the compliance with certain previous conditions that should occur in 2020.

Cerro de Pasco Resources Inc. is a company listed in the Canadian Securities Exchange with presence in Cerro de Pasco for several years and is the owner of the concession "El Metalurgista" at this place. The transaction establishes a fixed payment of US\$30 million for Óxidos de Pasco S.A.C., a net smelter return (NSR) of 2% over the concessions of Empresa Administradora Cerro S.A.C. and a percentage of future gold (Au) and silver (Ag) sales from the oxide plant during all its operation, among others. In addition, Cerro de Pasco Resources Inc. has the obligation to sell to the Company all its concentrates operated in the concessions of Empresa Administradora Cerro S.A.C.

Finally, the agreement ensures the continuity of health, safety, environmental and social outreach programs that the Company is developing at that place.

Management expects that the transaction can be completed in 2020 unless the previous conditions, which are outside the control of the Company, cannot be met.

The Company has evaluated that these subsidiaries qualify as assets classified as held for sale. See Note 15.

(h) *Explanation added for translation into the English language of the original consolidated financial statements issued in Spanish*

The accompanying financial statements are originally issued in Spanish and have been translated into English for the convenience of English-speaking readers. In the event of any discrepancy, the Spanish language version prevails.

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, 2019 and 2018, as applicable, including International Financial Reporting Standards (IFRS), International Accounting

Standards (IAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or by the former Standing Interpretations Committee (SIC), adopted by the IASB. Historical cost basis was applied for these purposes, except those items measured at fair value, as further explained in the section of significant accounting policies (letter (d)).

Fair value is the price that would be received when selling an asset, or paid when transferring a liability in an organized transaction between market participants at a measurement date, regardless of the fact that such price is directly observable or estimable through another valuation technique. When estimating the fair value of an asset or liability, the Company considers the characteristics of such asset or liability in the event that market participants would want to consider them when setting a price at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined over such basis, except share-based payment transactions (which are within the scope of IFRS 2), lease transactions (within the scope of IFRS 16), and measurements somehow similar to fair value, but are not fair value, such as net realizable value in IAS 2, or value in use in IAS 36.

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

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

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

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

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

(b) Consolidation principles

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

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

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

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

As of December 31, 2019 and 2018, the consolidated financial statements include the consolidated accounts of Volcan Compañía Minera S.A.A. and Subsidiaries disclosed in Note 1(c).

(c) Functional and presentation currency

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

Translation to U.S. dollars

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

As of December 31, 2019 and 2018, the monetary assets and liabilities of the Company, whose original currency is the sol, have been translated into U.S. dollars using the average closing exchange rate effective at those dates of US\$0.302 and US\$0.296 per S/1.00, respectively. The monetary assets and liabilities in U.S. dollars are maintained at their original value in such currency.

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

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

Exchange differences, are presented in the consolidated statement of profit or loss and amount to a net profit of US\$1,113 and a net loss of US\$4,116 in 2019 and 2018, respectively (Note 27).

(d) Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Amortized cost and effective interest method

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

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

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

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

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

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

Impairment of financial assets

The Company and Subsidiaries recognize a provision for expected credit losses of financial assets that are measured at amortized cost or at fair value through other comprehensive income. An impairment loss for investments in equity instruments is not recognized. The

amount of expected credit losses is updated at each reporting date in order to reflect the changes in credit risk since the initial recognition of the pertinent financial instrument.

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company and Subsidiaries' documented risk management or investment strategy, and information about the Company and Subsidiaries is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any profit or losses arising on the new measurement recognized in profit or loss. The net profit or

loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other profit and losses" line item.

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

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

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 foreign exchange rate risks, rates and prices of commodities.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. 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 generally designates 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, cash flow hedges, or hedges of net investments in foreign operations. As of December 31, 2019 and 2018, the Company and Subsidiaries hold hedge operations of interest rates (swaps) in order to ensure future flows of payment of loan interests, which are accounted for as cash flow hedges.

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 actually uses 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(e) sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in Note 20(f).

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.

(e) 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.

(f) Inventories and obsolescence estimate

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

(g) Property, plant and equipment (net)

Property, plant and equipment are presented at acquisition cost, less accumulated depreciation and the accumulated amount of impairment losses, except land with port preparation, which is presented under the revaluation model before its transfer (Note 1(d)).

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.

Depreciation

Units-of-production method

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

The units of production are measured in recoverable metric tons of lead, copper and zinc. The depreciation ratio per units of production is determined according to the production of the year over economically recoverable reserves and resources.

Straight-line method

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

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

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

Mining rights and concessions

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

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

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

Evaluation and exploration costs

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

Exploration costs are amortized just as development costs.

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

Development costs

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

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

Intangibles

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

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

(i) Review of impairment of long-term assets

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

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

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

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

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

(j) Assets classified as held for sale

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

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

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

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

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion

of the profit or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that profit or loss would be reclassified to the consolidated statement of profit or loss on the disposal of the related assets or liabilities.

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

(l) Leases

The Company and Subsidiaries as lessees:

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

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

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

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

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

(m) Provisions

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

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

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

(n) Provision for closure of mining units

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

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

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

(o) Financing costs

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

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

(p) Revenue recognition

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

Revenue is recognized as follows:

- (i) Revenue associated with the sale of concentrates, Dore bars and others, when the control of the sold asset is transferred to the customer. Indicators of the transfer of control 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, such 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 for significant changes in international quotations to reflect them at their fair value. Changes in fair value are recognized as adjustments to revenue. 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 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 interests is recognized based on the effective yield in proportion to the time elapsed.
- (iii) Other revenue is recognized when earned.

(q) Recognition of costs and expenses

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

(r) Employee benefits

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

(s) Operating profit

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

(t) Income tax

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

Current income tax

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

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

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

Deferred income tax

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

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

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

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

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

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

Current and deferred income tax

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

(u) Contingent assets and liabilities

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

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

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

(v) Basic and diluted earning per share

Basic earning per share is calculated by dividing net profit or loss attributable to shareholders by the weighted average number of outstanding common shares during the period, including shares for the restatement into constant currency.

Since there are no diluted potential common shares, that is, financial instruments or other contracts that allow obtaining common shares, basic and diluted earning per share is the same.

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

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

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

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

Key sources of uncertainty in estimates

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

Determination of reserves and mineral resources

The Company and Subsidiaries calculate its 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 has 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 (Note 2(g) and 2(h)), as well as for the determination of the closure period of mining units and the impairment analysis of non-financial assets.

Provision for the disposal of assets and mine closure

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

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

Review of carrying amounts and impairment evaluation

The Company annually reviews whether a permanent asset requires an impairment estimate according to the accounting policy indicated in Note 2(i). This determination requires the use of professional judgment by the Company's 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, 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(g), the Company and Subsidiaries review the estimated useful life of property, plant and equipment annually. Internal specialists of the operations and maintenance areas are involved in these evaluations in order to determine if the useful life is appropriate for the expected use of its assets. The determination of useful lives requires estimates regarding the expected commercial and technological evolution and different uses of assets. The hypothesis related to the technological environment and its future development imply a significant judgment degree, since the timing and nature of those future technological changes are difficult to predict.

Contingencies

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

Taxes

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

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

Uncertain tax positions

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

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

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

- Criteria applied by the tax administration in its reviews
- Opinions of the tax administration in reports or official letters
- Case law of courts in all instances
- Tax administration guidelines
- Usual practice in the market

Since the year of initial of IFRIC 23 application was 2019, the evaluation has been conducted for all unexpired tax periods, considering 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.

It is important to mention that all estimates made for the year end must be remeasured when there is a change in a circumstance, such as the knowledge of actions followed by the tax administration, formally adopted situations, the tax opinion of the tax court or when the term of limitation is expired.

Measurement of assets classified as held for sale

The Company measures its assets classified as held for sale at the lower of carrying amount and fair value less costs to sell.

When it is expected that the sale may be performed in more than a year, the entity will measure the costs to sell at its present value. Any increase in the present value of those costs to sell, arising from the passing of time, will be presented in the consolidate statement of profit or loss as a financial cost.

The fair value estimate includes fixed and variable amounts. The fixed portion is based on contractual agreements, and the variable portion is calculated based on the net smelter return in respect with the concessions, and a percentage of future sales of the production during the whole operation.

4. NEW STANDARDS AND INTERPRETATIONS 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, 2019, which were not relevant for the operations of the Company, except for IFRS 16 and IFRIC 23:

- IFRS 16 Leases

The Company and Subsidiaries implemented IFRS 16 (issued by the IASB in January 2016), which establishes new or modified requirements for the accounting treatment of

leases. This standard introduces significant changes to the lessor accounting, deleting the distinction between an operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at the commencement date of all leases, except those considered as short-term or low-value assets. The initial impact of the adoption of IFRS 16 in the consolidated financial statements of the Company and Subsidiaries is described below:

The date of initial application of IFRS 16 for the Company and Subsidiaries was January 1, 2019.

The Company and Subsidiaries have applied IFRS 16 using the modified retrospective approach, without restating the comparative information.

Impact of the new definition of lease

The Company and Subsidiaries have determined to apply the available practical expedient for the transition to IFRS 16 for not reassessing whether a contract is or contains a lease. Therefore, the definition of lease under IAS 17 and IFRIC 4 is still applied to contracts entered into or modified before January 1, 2019.

The change in the definition of lease is mainly related to the concept of control. IFRS 16 determines if a contract contains a lease based on whether the customer has the right to control the use of an asset identified for a period of time in exchange of a consideration. This is opposed to the "risks and benefits" approach of IAS 17 and IFRIC 4.

The Company and Subsidiaries apply the definition of a lease and the relevant guidance outlined in IFRS 16 to all contracts entered into or modified on or since January 1, 2019. For the initial adoption of IFRS 16, the Company and Subsidiaries performed an implemented project, which showed that the new definition of lease under IFRS 16 does not substantially change the scope of contracts that meet the definition of lease for the Company and Subsidiaries.

Impact of the accounting as lessee

(i) Previous operating leases

IFRS 16 changes how the Company and Subsidiaries account for leases previously classified as operating leases under IAS 17, which were not included in the statement of financial position.

By applying IFRS 16, for all leases (except those mentioned above), the Company:

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, which are initially measured at the present value of future lease payments.
- Recognizes the depreciation of right-of-use assets and the interest accrued by lease liabilities in the consolidated statement of profit or loss.
- Separate the total cash amount paid to capital (presented in financing activities) and interests (presented in operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g., periods free of rental) are recognized at initial measurement as part of right-of-use assets and lease liabilities, when they generated the recognition of a lease incentive under IAS 17, which is amortized as a reduction of lease expenses, generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment according to IAS 36.

(ii) Previous finance leases

The main differences between IFRS 16 and IAS 17 regarding contracts classified as finance leases is the measurement of the residual value of guarantees provided by

lessor to the lessee. IFRS 16 requires the Company and Subsidiaries to recognize, as part of lease liabilities, only the expected amount to be paid under a residual value guarantee, in contrast to the maximum amount of the guarantee required by IAS 17. This change did not cause any material impact on the consolidated financial statements of the Company.

Impact due to the adoption of IFRS 16

Amounts recognized in the statement of financial situation

	US\$000
Right-of-use assets	41,293
Lease liabilities	<u>(41,293)</u>
* Net effect on balance accounts as of January 1, 2019	-
Right-of-use assets	41,293
Increase in right-of-use assets	418
Depreciation charge	(18,824)
Lease liabilities	(41,710)
Payments of lease liabilities	19,928
Reclassification to assets held for sale	460
Interests on lease liabilities	<u>(1,924)</u>
* Net effect on balance accounts as of December 31, 2019	(359)

Amounts recognized in the statement of profit or loss

Depreciation expense of right-of-use assets	(18,824)
Financial expenses of lease liabilities	<u>(1,924)</u>
* Net effect on profit or loss as of December 31, 2019	<u>(20,748)</u>

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities for US\$41,293. It also resulted in the decrease of lease expenses for US\$20,046, the increase of depreciation for US\$18,824 and the increase of interest expenses for US\$1,924. The movement of the lease liability was as follows:

Lease liabilities

	US\$000
Balance as of January 1, 2019	41,293
Adjustments	417
Payments	(19,928)
Interests	1,924
Assets held for sale	<u>(460)</u>
Balance as of December 31, 2019	<u><u>23,246</u></u>

- **IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 establishes how to determine the accounting tax position when there is uncertainty over income tax treatments. It considers specifically:

- Whether tax treatments should be considered separately or collectively; and
- Whether it is probable that the tax authority will accept an uncertain tax treatment that it used or is planned to be used by an entity in its income tax filing.
 - In a positive case, the entity has to determine the accounting tax position consistently with the tax treatment included in its income tax filings.

- In a negative case, the effect of the uncertainty should be reflected on the determination of the accounting tax position using the most likely amount or the expected value method.

The Company and Subsidiaries apply a significant judgment when identifying uncertainties over income tax treatments. They also evaluated if the interpretation had an impact on the consolidated financial statements. After the adoption of the interpretation, the Company and Subsidiaries determined that they have uncertain tax positions and concluded that their tax treatments may probably be accepted by tax authorities, even though the effect is not material for the consolidated financial statements.

- ***Amendments to IFRS 9 Prepayment Features with Negative Compensation***

The Company and Subsidiaries adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that, in order to assess whether a prepayment meets the solely payment of principal and interest condition (SPPI), the party that exercises the option can pay or receive a reasonable compensation for the prepayment, regardless of the reason of the advance payment. In other words, financial assets with prepayment features with negative compensation do not necessarily fail the SPPI test.

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

- ***Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures***

The Company and Subsidiaries adopted the amendments to IAS 28 for the first time in the current year. The amendments clarify that IFRS 9, including its impairment requirements, is applicable to other financial instruments in an associate or joint venture, to which the equity method is not applicable.

It includes long-term interests that substantially form part of the net investment in an associate or joint venture. The Company and Subsidiaries apply IFRS 9 to those long-term interests on which IAS 28 was previously applied. When applying IFRS 9, the Company and Subsidiaries do not consider any adjustment of the carrying amount of long-term interests required by IAS 28 (e.g., adjustments of the carrying amount of long-term interests derived from the allocation of losses of the investee or the evaluation of impairment under IAS 28).

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

- ***Amendments to IAS 19 Employee Benefit Plan Amendment, Curtailment or Settlement***

These amendments clarify that the past service cost (or profit or loss on settlement) is calculated by measuring the defined benefit liability or asset using current assumptions and comparing offered benefits and plan assets before and after the amendment (curtailment or settlement) of the plan, but disregarding the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 now clarifies that the change to the effect of the asset ceiling that may result from the amendment (curtailment or settlement) of the plan is determined by a second step and is usually recognized in other comprehensive income.

Regarding the paragraphs related to the measurement of the current service cost and net interest on the defined benefit liability (asset), now, the Company and Subsidiaries will be required to use updated remeasurement assumptions to determine the current service cost and net interest after the amendment (curtailment or settlement) of the plan and for the remaining reporting period. In case of net interest, the amendments clarify that for the period subsequent to the amendment (curtailment or settlement) of the plan, net interest is calculated by multiplying the defined benefit liability (asset) revalued under IAS 19:99 with the discount rate used in the new remeasurement (considering the effect of contributions and benefit payments in the net defined benefit liability (asset)).

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

- ***Annual Improvements to IFRSs 2015 – 2017 Cycle***

Amendments to IAS 12 Income tax, IAS 23 Borrowing costs, NIIF 3 Business combinations and IFRS 11 Joint arrangements

The Company and Subsidiaries have adopted the amendments included in the Annual Improvements to IFRSs 2015 – 2017 Cycle for the first time in the current year. Annual improvements include amendments to four standards.

IAS 12 Income tax

The amendments clarify that the entity should recognize the income tax consequences of dividends in the statement of profit or loss, in other comprehensive income or in capital where the transactions that generated distributable profits were originally recognized. It is applicable regardless of whether different tax rates are applied to distributed and undistributed profits.

IAS 23 Borrowing costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 Business combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the requirements for a business combination in stages apply, including the reassessment of its previously held interest in the joint operation at fair value. The previously held interest subject to re-measurement includes the unrecognized assets, liabilities and goodwill related to the joint operation.

IFRS 11 Joint arrangements

The amendments clarify that when an entity that participates in a joint operation did not have joint control and obtains joint control, the previously held interests in that business should not be reassessed.

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

(b) New IFRSs and amendments that are not effective yet

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

IFRS 17	Insurance contracts
IFRS 10 and IAS 18 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Conceptual Framework of IFRS Standards

Management does not expect that the adoption of the standards mentioned above will have a material impact on the consolidated financial statements of the Company and Subsidiaries in future periods as follows:

- ***IFRS 17 Insurance contracts***

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

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features and is described as the variable fee approach. The general model is simplified if certain criteria are met when measuring the liability of remaining coverage under the premium allocation approach.

The general model will use the current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of such uncertainty, considering the interest rates of the market and the impact of options and guarantees of insured parties.

This standard is effective for annual periods beginning on or after January 1, 2021, with early application permitted. It is applied retrospectively unless it is not feasible, in which case the modified retrospective approach or the fair value method is used. A draft of changes on IFRS 17 addresses the concerns and difficulties of implementation that were identified after the publication of IFRS 17. One of the main proposed changes was the deferral of the initial application date of IFRS 17 for a year, on reporting periods beginning on or after January 1, 2022.

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

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

The IASB has not determined the effective date of the amendments yet; however, their early application is permitted. The Company and Subsidiaries' Management anticipates that the application of these amendments may have an impact on the consolidated financial statements of the Company and Subsidiaries in future periods if those transactions are performed.

- ***Amendments to IFRS 3 Definition of a business***

These amendments clarify that, as businesses usually have outputs, an output is not required for a series of integrated activities and assets to qualify as a business. To be considered a business, a series of acquired activities and assets should include at least an input and a substantive process that together significantly contribute to the ability to create outputs.

An additional guidance is provided to help determining whether a substantive process has been acquired.

These amendments introduce an optional test to identify the concentration of fair value, which allows a simplified assessment of whether a series of acquired activities and assets is not a business if all the fair value of gross assets acquired is substantially concentrated in a single identifiable asset or a group of similar assets.

These amendments are applied prospectively to all business combinations and acquisitions of assets, whose acquisition date is on or after the first reporting period beginning on or after January 1, 2020, with early application permitted.

- ***Amendments to IAS 1 and IAS 8 Definition of material***

The purpose of these amendments is to simplify the definition of materiality contained in IAS 1, facilitating its understanding, and not to modify the underlying concept of materiality in IFRSs. The concept to obscure material information with immaterial information has been included in the new definition.

The limitation for influential materiality for users has been changed from “could influence” to “could be reasonably expected to influence”.

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality in IAS 1. Additionally, the IASB modified other standards and the Conceptual Framework that contained a definition of materiality or reference to the term materiality to guarantee the consistency.

These amendments will be applied prospectively for reporting periods beginning on or after January 1, 2020, with early application permitted.

- ***Conceptual Framework of IFRS Standards***

Together with the revised Conceptual Framework, published on March 29, 2018, the IASB also issued amendments to references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

However, not all amendments update those pronouncements regarding the references and quotes of the framework to refer to the revised Conceptual Framework. Some pronouncements are updated only to indicate to what version the frameworks makes reference to (the IASC framework adopted by the IASB in 2001, the IASB framework in 2010 or the new framework reviewed in 2018) or to indicate that the definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, which are actually updates, are effective for annual periods beginning on or after January 1, 2020, with early adoption permitted.

5. FINANCIAL INSTRUMENTS AND RISKS

(a) Categories of financial instruments

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

	2019 US\$000	2018 US\$000
Financial assets:		
Amortized cost		
Cash and cash equivalents	33,828	62,950
Other accounts receivable (net)	8,065	29,265
	<u>41,893</u>	<u>92,215</u>
Fair value through profit or loss		
Trade accounts receivable (net)	36,159	41,842
Financial investments	150,284	548
Derivatives designated as hedging instruments	3,915	-
Derivatives that are not designated as hedging instruments	1,501	-
	<u>191,859</u>	<u>42,390</u>
Fair value through other comprehensive income		
Financial investments	43,510	52,757
Derivatives designated as hedging instruments	-	640
	<u>43,510</u>	<u>53,397</u>
Total	<u>277,262</u>	<u>188,002</u>
Financial liabilities:		
Amortized cost		
Trade accounts payable	178,175	202,544
Other accounts payable	2,944	3,440
Bank overdrafts	8,448	34
Bonds	535,264	535,264
Financial obligations	265,534	261,165
	<u>990,365</u>	<u>1,002,447</u>
Fair value through profit or loss		
Derivatives that are not designated as hedging instruments	53,308	48,218
Fair value through other comprehensive income		
Derivatives designated as hedging instruments	99	-
Total	<u>1,043,772</u>	<u>1,050,665</u>

(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. Financial Management 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 arises from balances held in soles. In order to mitigate this risk, the Company and Subsidiaries use derivative contracts that are not designated as hedging instruments to cover their exposure to exchange rate risk.

As of December 31, 2019 and 2018, the balances of financial assets and liabilities denominated in foreign currency correspond to balances in Peruvian soles and are expressed in U.S. dollars at the closing exchange rates of US\$0.302 and US\$0.296 per S/1.00, respectively, and are summarized below:

	2019	2018
	S/000	S/000
Assets		
Cash and cash equivalents	49,728	32,142
Trade accounts receivable (net)	1,329	630
Other accounts receivable (net)	8,576	1,491
	<u>59,633</u>	<u>34,263</u>
Liabilities		
Bank overdrafts	(136)	(113)
Financial obligations	(368,885)	(557,180)
Trade accounts payable	(104,709)	(111,239)
Other accounts payable	(7,063)	(8,181)
	<u>(480,793)</u>	<u>(676,713)</u>
Financial obligations with exchange rate derivatives	<u>368,885</u>	<u>557,180</u>
Total liabilities	<u>(111,908)</u>	<u>(119,533)</u>
Net liability	<u>(52,275)</u>	<u>(85,270)</u>

Financial obligations with exchange rate derivatives correspond to synthetic loans, whose exchange rate risk is fully mitigated.

The Company and Subsidiaries recorded a net exchange profit for US\$1,113 in 2019 (net loss for US\$4,116 in 2018) (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:

		Effect on profit or loss before taxes (Debit) credit	
	Changes in exchange rate	2019	2018
		US\$000	US\$000
Revaluation	5%	752	1,202
Devaluation	-5%	(831)	(1,329)

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 to trade, in 2019, Management entered into derivative contracts that qualify as cash flow hedges at fair value through profit or loss, which were liquidated in 2019 and will still be liquidated in 2020 (Note 30).

As of December 31, 2019 and 2018, 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 before taxes of the Company and Subsidiaries would change, as shown below:

	Effect on profit before income tax (Debit) Credit
	US\$000
Zinc concentrate	
2019:	
Increase in the international price of zinc	42,125
Decrease in the international price of zinc	(42,125)
2018:	
Increase in the international price of zinc	47,844
Decrease in the international price of zinc	(47,844)
	Effect on profit before income tax (Debit) Credit
	US\$000
Lead concentrate	
2019:	
Increase in the international price of lead	16,563
Decrease in the international price of lead	(16,563)
2018:	
Increase in the international price of lead	18,640
Decrease in the international price of lead	(18,640)
	Effect on profit before income tax (Debit) Credit
	US\$000
Copper concentrate	
2019:	
Increase in the international price of copper	3,673
Decrease in the international price of copper	(3,673)
2018:	
Increase in the international price of copper	3,427
Decrease in the international price of copper	(3,427)
	Effect on profit before income tax (Debit) Credit
	US\$000
Silver concentrate	
2019:	
Increase in the international price of silver	3,928
Decrease in the international price of silver	(3,928)
2018:	
Increase in the international price of silver	4,164
Decrease in the international price of silver	(4,164)

For the control and follow-up of hedges, Management approved the "Policy for Hedging Metal Prices", which is executed and monitored together with the Policy for Financial Risk Management. In addition, Management has a Hedging Committee, whose objective is to mitigate the risks associated with the variations and volatility of prices of metals it produces.

As of December 31, 2019 and 2018, the fair value of embedded derivatives contained in commercial agreements amounts to a loss of US\$4,204 and US\$3,045, respectively.

Interest rate risk

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

For the loan held at a variable interest rate as of December 31, 2019 and 2018, Management decided to acquire an interest rate hedging derivative (Note 30(b)).

In addition, 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 table below presents an analysis of financial assets (excluding cash and cash equivalents and financial investments) of the Company and Subsidiaries classified according to their maturity:

	2019			2018		
	Overdue US\$000	To be due US\$000	Total US\$000	Overdue US\$000	To be due US\$000	Total US\$000
Trade accounts receivable (net)	479	35,680	36,159	122	41,720	41,842
Other accounts receivable (net)	-	8,065	8,065	-	29,265	29,265
Other financial assets	-	5,416	5,416	-	640	640
	479	49,161	49,640	122	71,625	71,747

Trade accounts receivable are denominated in U.S. dollars and expire when the payment receipt is issued and are effective in the following days of maturity. The sales of the Company and Subsidiaries are performed to local and foreign customers. As of December 31, 2019, the Company has a portfolio of 27 customers (28 customers as of December 31, 2018). The three most important customers of the Company and Subsidiaries represented 53% of total sales (71% of total sales in 2018). The Company's Management evaluates the amounts that they estimate are not recoverable to determine the required provision for doubtful accounts.

(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, 2019 and 2018, the Company and Subsidiaries present a negative working capital for US\$212,030 and US\$217,761, respectively. In this regard, Management has a credit capacity that allows having access to credit lines in first-class financial entities to meet their obligations. Consequently, they permanently monitor their liquidity reserves, based on cash flow projections. In addition, Management has considered the potential sale of its investments in electrical generation companies, as well as the possibility that its subsidiary Empresa Minera Paragsha S.A.C. sells the shares it holds in Cementos Polpaico S.A., which are listed on the Chile Stock Exchange. Management considers that these measures will allow the Company to have available cash flows in the short term if it does not have access to additional credit lines from financial entities.

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:

	Less than 1 year US\$000	Between 1 and 2 years US\$000	Between 2 and 10 years US\$000	Total US\$000
As of December 31, 2019:				
Bank overdrafts	8,448	-	-	8,448
Financial obligations	260,368	61,608	561,334	883,310
Trade accounts payable	178,175	-	-	178,175
Other accounts payable	2,944	-	-	2,944
Other financial liabilities	53,407	-	-	53,407
Total	<u>503,342</u>	<u>61,608</u>	<u>561,334</u>	<u>1,126,284</u>
As of December 31, 2018:				
Bank overdrafts	34	-	-	34
Financial obligations	242,674	54,086	599,107	895,867
Trade accounts payable	202,544	-	-	202,544
Other accounts payable	3,440	-	-	5,685
Other financial liabilities	48,218	-	-	48,218
Total	<u>499,155</u>	<u>54,086</u>	<u>599,107</u>	<u>1,152,348</u>

(iv) Capital risk management

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, as well as maintaining 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 2019 and 2018.

The leverage ratio was as follows:

	2019 US\$000	2018 US\$000
Financial obligations	800,798	796,429
Cash and cash equivalents	<u>(33,828)</u>	<u>(62,950)</u>
Total net debt	<u>766,970</u>	<u>733,479</u>
Total equity	<u>570,729</u>	<u>648,153</u>
Net debt ratio	<u>1.34</u>	<u>1.13</u>

(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)

Except for the balances shown in the table below, Management considers that the carrying amounts of financial assets and liabilities recognized in the consolidated financial statements are similar to their fair value due to the short-term maturity:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Financial liabilities:				
Financial liabilities at amortized cost	800,798	826,709	796,429	797,184
Total	800,798	826,709	796,429	797,184

The measurement of fair value of financial liabilities at amortized cost includes bonds issued in the international market (Note 16(a)), whose fair value is classified as Level 1 since quoted prices are available.

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

As of December 31, 2019 and 2018, 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:

	2019	2018
	US\$000	US\$000
Financial assets		
Level 1		
Investments in equity instruments (a)	193,794	53,305
Level 2		
Trade accounts receivable (b)	36,159	41,842
Derivates that are not designated as hedging instruments	1,501	-
Derivates designated as hedging instruments	3,915	640
	<u>41,575</u>	<u>42,482</u>
Financial liabilities		
Level 2		
Derivates that are not designated as hedging instruments	53,308	48,218
Derivates designated as hedging instruments	99	-
	<u>53,407</u>	<u>48,218</u>

- (a) Financial investments (Note 7) mainly include the investment in Cementos Polpaico S.A., which is listed on the Chile Stock Exchange; for this reason, it has been classified as Level 1.
- (b) Trade accounts receivable, designated at fair value through profit or loss, comprise the changes in the value of provisional liquidations, which are adjusted at market value based on future estimates of metal prices at the date of the financial statements. Fair value measurement is classified as Level 2 since these measurements derive from international quotation prices in force included in Level 1.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2019	2018
	US\$000	US\$000
Petty cash and cash in banks (a)	33,017	62,501
Other funds	<u>811</u>	<u>449</u>
	<u>33,828</u>	<u>62,950</u>

- (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.
- (b) The Company presents amounts for US\$9,856 and US\$7,477 as of December 31, 2019 and 2018 as part of cash and cash equivalents, which correspond to cash deposited in Banco de la Nación for the payment of taxes; therefore, they are not freely available for the Company. In addition, amounts withheld by the Tax Administration are presented in this item for US\$4,171 as of December 31, 2019 (US\$2,209 as of December 31, 2018).

7. FINANCIAL INVESTMENTS

Financial investments comprise the following:

Company	Class	Number of shares	Interest in net equity		Face value	Carrying amount	
			As of December 31,			As of December 31,	
			2019	2018		2019	2018
			%	%		US\$000	US\$000
Associate:							
Cosco Shipping Ports Chancay Perú S.A.	Common	279,408,127	40.0	100	1 sol	150,000	-
Other investments:							
Cemento Polpaico S.A. (a)	Common	4,056,643	22.7	22.7	8,040 Chilean pesos	43,510	52,757
Other companies	Common	-	-	-	-	<u>284</u>	<u>548</u>
						<u>193,794</u>	<u>53,305</u>

- (a) 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 2022.

As explained in Note 1(d) to the accompanying consolidated financial statements, in May 2019, as a result of the subscription and investment agreement entered into between the Company and Cosco Shipping Ports Limited, the Company derecognized its investment in the subsidiary at the date in which control was lost and recognized the fair value of its interest of 40% in the capital stock of such entity (US\$150,000). The impact on profit or loss amounted to US\$18,288. See Note 25.

- (b) Cementos Polpaico S.A. is engaged in the production and commercialization of cement and lime. As of December 31, 2019, the quotation amounted to 8,040 Chilean pesos per share, equivalent to US\$10.726 (9,000 Chilean pesos per share, equivalent to US\$13.005 as of December 31, 2018). Those shares are listed on the Chile Stock Exchange.

8. TRADE ACCOUNTS RECEIVABLE (NET)

Trade accounts receivable (net) comprise the following:

	2019	2018
	US\$000	US\$000
From third parties		
Invoices	41,960	46,522
Impairment estimate for accounts receivable (a)	(17,601)	(19,837)
Embedded derivatives	(533)	(996)
Sales adjustments	(1,360)	(326)
	<u>22,466</u>	<u>25,363</u>
From related entities		
Invoices	18,312	19,431
Embedded derivatives	(3,671)	(2,049)
Sales adjustments	(948)	(903)
	<u>13,693</u>	<u>16,479</u>
Total	<u><u>36,159</u></u>	<u><u>41,842</u></u>

Accounts receivable have current maturity, do not accrue interests and do not have specific guarantees. Overdue and to be due accounts are expected to be collected in the first quarter of the following year. An analysis of accounts receivable classified according to their maturity is shown in Note 5(b)(ii).

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

As of December 31, 2019, the Company and Subsidiaries performed sales to the following related entities: Glencore Perú S.A.C., Glencore Lima Trading S.A.C. and Glencore International AG for US\$283,105, US\$61,395 and US\$66, respectively (Glencore Perú S.A.C., Glencore Lima Trading S.A.C. and Glencore International AG for US\$290,813, US\$68,709 and US\$1,028 as of December 31, 2018, respectively).

(a) An impairment estimate for accounts receivable for US\$43 was recorded in 2019.

Pursuant to the commercial agreement entered into with Cerro de Pasco Resources Inc., the balances of subsidiary Óxidos de Pasco S.A.C. were reclassified to assets classified as held for sale, which included an impairment provision for US\$2,279 (Note 15).

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.

9. OTHER ACCOUNTS RECEIVABLE (NET)

Other accounts receivable (net) comprise the following:

	2019 US\$000	2018 US\$000
Value added tax credit (a)	40,352	83,729
Credit balance for income tax and temporary tax on net assets (b)	36,249	40,514
Loans granted to third parties (d)	13,974	13,735
Other tax credits	7,378	4,235
Accounts receivable from contractors	5,263	7,194
Deferred costs and expenses	6,196	5,887
Insurance compensation	3,866	3,866
Advances granted to contractors	3,143	2,544
Public works for taxes, in process (e)	2,565	6,210
Loans granted to employees	1,483	1,376
Sale of shares CEC (c)	-	19,193
Other minor items	2,677	5,588
	123,146	194,071
Impairment estimate for other accounts receivable (f)	(41,250)	(18,482)
Total	81,896	175,589
Non-current portion	7,990	6,992
Current portion	73,906	168,597

- (a) As of December 31, 2019, this item includes an amount of US\$24,133, which corresponds to tax credit derived from subsidiaries that do not operate and that is not expected to be recovered; therefore, an impairment estimate was recorded.
- (b) As of December 31, 2019, this item corresponds to advance payments of income tax for US\$25,387, tax credit for US\$9,554 and payments for the temporary tax on net assets for US\$1,308, which will be requested as from 2020.
- (c) As of December 31, 2018, this item corresponds to the balance receivable from the sale of shares held in Compañía Energética del Centro S.A.C., made by subsidiary Compañía Minera Chungar S.A.C. to Odebrecht Energía del Perú S.A. in June 2014. An amount of US\$19,193 was collected on April 25, 2019.
- (d) Loans granted to third parties accrue interests at market rates and are considered to have a current maturity. The Company and Subsidiaries have considered recording an amount of US\$11,821 as doubtful account according to the assessment of uncollectibility risk.
- (e) In 2019, the Company executed the Project "Improvement and extension of commercialization services of the municipal supply market of the district of Chancay – Huaral - Lima", with code SNIP No. 108499, pursuant to Law 29230 - Works for Taxes, whose approximate financing amount is US\$21,990. Also, the financial closure of potable water projects was concluded in Yauli-Junin and a road interchange in Trujillo with the recovery of CIPRLs of settlement of both projects.
- (f) As of December 31, 2019, this item mainly corresponds to the impairment provision for value-added tax credit for US\$24,133 and loans receivable for US\$11,821. As of December 31, 2018, this item mainly corresponds to the impairment provision for loans receivable for US\$11,821.

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.

10. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities comprise the following:

Financial assets:

	2019	2018
	US\$000	US\$000
Derivative financial instruments:		
Derivative that are not designated as hedging instruments	1,501	-
Derivative designated as hedging instruments (Note 30 (a) and (b))	3,915	640
	<u>5,416</u>	<u>640</u>

Financial liabilities:

	2019	2018
	US\$000	US\$000
Derivative financial instruments:		
Derivative that are not designated as hedging instruments (a)	53,308	48,218
Derivative designated as hedging instruments (Note 30(b))	99	-
	<u>53,407</u>	<u>48,218</u>

- (a) The Company has entered into prepaid swaps agreements for commodities, which represent an advance payment by a financial entity, equivalent to the price of the quantity agreed upon in those agreements. These agreements have current spot prices at each liquidation date.

Agreements with derivative financial instruments were negotiated with several international financial entities, such as J. Aron & Co., Societe Generale / New York, JP Morgan and Natixis.

11. INVENTORIES (NET)

Inventories (net) comprise the following:

	2019	2018
	US\$000	US\$000
Concentrates (a)	6,461	15,347
Mineral (a)	5,730	11,814
Pyrite stockpiles	-	7,752
Sundry supplies	31,455	43,964
Inventories in transit	68	104
	<u>43,714</u>	<u>78,981</u>
Impairment estimate (b)	(7,005)	(6,589)
Total	<u>36,709</u>	<u>72,392</u>
Non-current portion	-	7,752
Current portion	<u>36,709</u>	<u>64,640</u>

Pursuant to the commercial agreement entered into with Cerro de Pasco Resources Inc., the following amounts held by subsidiaries Empresa Administradora Cerro S.A.C. and Óxidos de Pasco S.A.C. were reclassified to assets classified as held for sale:

- (a) Inventory of concentrates and minerals for US\$4,753 and US\$5,589, respectively.
- (b) The net increase of the impairment estimate for spare parts and supplies includes the estimate for the year for US\$4,476 and a decrease of US\$4,060 for the reclassification of assets classified as held for sale (Note 25).

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

Management of the Company and Subsidiaries believes that the impairment estimate for spare parts and supplies is sufficient to cover the risk of loss at the date of the consolidated statement of financial position.

12. 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, 2019 US\$000	Additions US\$000	Sales and/or disposals US\$000	Transfers US\$000	Corporate derecognition US\$000
Cost of:					
Land	97,750	2,163	-	33,199	(101,759)
Buildings and other constructions	926,968	7,794	-	48,955	(618)
Environmental management program infrastructure	22,293	-	(12)	-	
Machinery and equipment	279,381	7,593	(14,267)	2,078	(20)
Vehicles	11,174	189	(44)	-	(151)
Furniture and fixtures and computer equipment	14,401	434	-	-	(130)
Other equipment	450,131	16,964	(79)	(1,078)	(21)
Units in transit	312	4,000	-	(573)	
Works in progress (a)	59,408	38,721	(2,528)	(35,614)	
	<u>1,861,818</u>	<u>77,858</u>	<u>(16,930)</u>	<u>46,967</u>	<u>(102,699)</u>
Accumulated depreciation of:					
Buildings and other constructions	276,541	80,764	-	-	(35)
Environmental management program infrastructure	22,277	4	-	-	
Machinery and equipment	245,470	8,130	(11,213)	-	(6)
Vehicles	10,391	254	(10)	-	(103)
Furniture and fixtures and computer equipment	10,018	951	-	-	(85)
Other equipment	318,916	23,353	(61)	-	(7)
	<u>883,613</u>	<u>113,456</u>	<u>(11,284)</u>	<u>-</u>	<u>(236)</u>
Net value	<u>978,205</u>				

	Balance as of January 1, 2018 US\$000	Additions US\$000	Sales and/or disposals US\$000	Transfers US\$000	Incorporation of Subsidiary US\$000 (d)
Cost of:					
Land	78,942	1,828	(170)	3,402	13,866
Buildings and other constructions	778,919	8,716	(1,118)	69,553	
Environmental management program infrastructure	22,292	1	-	-	
Machinery and equipment	285,322	595	(11,644)	4,234	
Vehicles	11,703	119	(641)	-	
Furniture and fixtures and computer equipment	13,488	923	(7)	-	
Sundry equipment	421,254	15,009	-	6,165	
Units in transit	4,280	101	-	(4,069)	
Works in progress (a)	94,791	47,408	(255)	(79,282)	
	<u>1,710,991</u>	<u>74,700</u>	<u>(13,835)</u>	<u>3</u>	<u>13,866</u>
Accumulated depreciation of:					
Buildings and other constructions	202,316	74,562	(337)	-	
Environmental management program infrastructure	22,250	27	-	-	
Machinery and equipment	247,551	8,234	(10,315)	-	
Vehicles	10,649	328	(586)	-	
Furniture and fixtures and computer equipment	9,149	876	(7)	-	
Sundry equipment	297,036	21,880	-	-	
	<u>788,951</u>	<u>105,907</u>	<u>(11,245)</u>	<u>-</u>	
Net value	<u>922,040</u>				

- (a) As of December 31, 2019, the projects included as works in progress mainly belong to the Company for US\$37,077 and Subsidiary Compañía Minera Chungar S.A.C. for US\$15,276 (US\$27,047 and US\$20,648 as of December 31, 2018, respectively), as detailed below:

Volcan Compañía Minera S.A.A.

	2019	2018
	US\$000	US\$000
Growth of tailings facility Rumichaca (Level 4227)	5,391	-
Ore Pass and ventilation shaft (Victoria tunnel)	2,827	967
Pumping system Rp 616 (Level 1220 to 1120)	2,318	1,680
Growth of tailings facility Rumichaca 4224	2,125	1,707
Growth of tailings facility Andaychagua (Level 4410)	2,100	-
Extension of tailings facility 6 Mahr Tunel	2,002	1,958
Pumping system (Level 1120 to 1020)	1,929	1,836
Growth of tailings facility Rumichaca (Level 4270)	1,313	443
Drainage line 12 Km from Huacracocho to Huacracocho	1,171	500
Growth of tailings facility Andaychagua (Level 4402 - 4408)	-	2,556
New Ssee Carahuacra 48/4.16Kv/10Mva	-	815
Other minor projects	15,901	14,584
	37,077	27,047

Subsidiary Compañía Minera Chungar S.A.C.

	2019	2018
	US\$000	US\$000
New tailings facility Animon - Quimacocha	2,631	-
Growth of tailings facility Alparmarca (Level 4684)	2,453	-
Romina Project - general infrastructure	1,040	-
Pumping system Islay mine (Level 210)	1,002	-
Construction of 2-level dressing room Esperanza-Animon	593	-
Pumping system Islay - chamber 6	530	372
Tailing facility Alparmarca Third stage (Level 4680)	-	3,754
Tailing facility Naticocha	-	2,482
Conduction system of industrial water (Animon)	-	2,318
Construction of pumping chamber N° 17 (Animon)	-	1,116
Growth of tailings facility Animon (Level 4621 Stage IV)	-	976
Other minor projects	7,027	9,630
	15,276	20,648

As of December 31, 2019 and 2018, other Subsidiaries have projects in progress for US\$1,308 and US\$11,713, respectively.

The projects mentioned above are estimated to be completed between 2020 and 2021.

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

Distribución de depreciación de PPE

	2019	2018
	US\$000	US\$000
Cost of sales (Note 22)	105,200	100,590
Administrative expenses (Note 23)	1,193	1,556
Selling expenses (Note 24)	44	17
Other expenses (Note 25)	7,019	3,744
Total	113,456	105,907

- (c) As of December 31, 2019, buildings, machinery and equipment include assets under finance leases with a carrying amount of US\$16,186 and US\$10,416, respectively (US\$16,795 and US\$5,548 as of December 31, 2018).

- (d) Since 2018, the Company consolidates its financial statements with those of its Subsidiary Remediadora Ambiental S.A.C., which is mainly engaged in the acquisition of properties that are of economic interest for the Company and Subsidiaries for the development of their mining activities. This Subsidiary has been classified as held for sale according to Note 1(g).
- (e) In 2019, assets held for sale correspond to the transfer of the assets of subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A. to this item.
- (f) The Company and Subsidiaries hired insurance policies on their main assets according to the policies established by Management.
- (g) In the assessment of cash-generating units (CGU) of Egerba and Huanchor, the Company and Subsidiaries determined an estimated impairment loss in constructions and buildings for US\$14,505 and US\$5,108, respectively.

13. RIGHT-OF-USE ASSETS

- (a) Right-of-use assets correspond to the following:

	Balance as of January 1, 2019 US\$000	Additions US\$000	Assets held for sale US\$000	Balance as of December 31, 2019 US\$000
Cost of:				
Operating machinery	36,065	-	-	36,065
Vehicles	5,228	337	(654)	4,911
Properties	-	81	-	81
	<u>41,293</u>	<u>418</u>	<u>(654)</u>	<u>41,057</u>
Depreciation of:				
Operating machinery	-	16,195	-	16,195
Vehicles	-	2,612	(230)	2,382
Properties	-	17	-	17
	<u>-</u>	<u>18,824</u>	<u>(230)</u>	<u>18,594</u>
Net value	<u>41,293</u>			<u>22,463</u>

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

	2019 US\$000	2018 US\$000
Cost of sales (Note 22)	66,534	59,717
Administrative expenses (Note 23)	622	1,251
Other expenses (Note 25)	<u>1,904</u>	<u>1,139</u>
Total	<u>69,060</u>	<u>62,107</u>

14. MINING CONCESSIONS, EXPLORATION AND DEVELOPMENT COSTS AND OTHER INTANGIBLES (NET)

The movement in the cost and accumulated amortization of mining concessions, exploration and development costs, net, was as follows:

	Balance as of January 1, 2019 US\$000	Additions US\$000	and/or reclassification s US\$000	Corporate derecognition US\$000	Value adjustment US\$000 (Note 26)
Cost of:					
Mining concessions	268,688	3,314	-	-	-
Exploration costs	247,997	28,472	-	-	-
Development costs (a)	708,302	73,984	(17,911)	-	-
Closure of mining units	140,083	-	-	-	(7,701)
Community rights	-	-	17,911	-	579
Other intangibles	140,954	4,345	(46,968)	(80,295)	-
	<u>1,506,024</u>	<u>110,115</u>	<u>(46,968)</u>	<u>(80,295)</u>	<u>(7,122)</u>
Amortization of:					
Mining concessions	190,769	5,547	-	-	-
Exploration costs	104,385	12,153	-	-	-
Development costs (a)	319,561	37,259	-	-	-
Closure of mining units	40,055	11,596	-	-	-
Community rights	-	1,451	-	-	-
Other intangibles	11,187	1,054	-	-	-
	<u>665,957</u>	<u>69,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost	<u>840,067</u>				

	Balance as of January 1, 2018 US\$000	Additions US\$000	Sales and/or disposals US\$000	and/or reclassification s US\$000	
Cost of:					
Mining concessions	268,690	-	-	-	
Exploration costs	213,390	27,264	(33)	8,045	
Development costs (a)	636,215	100,506	-	(8,055)	
Closure of mining units	104,986	49,423	-	-	
Other intangibles	133,358	7,623	(15)	7	
	<u>1,356,639</u>	<u>184,816</u>	<u>(48)</u>	<u>(3)</u>	
Amortization of:					
Mining concessions	181,619	9,150	-	-	
Exploration costs	92,728	11,657	-	-	
Development costs (a)	287,247	32,314	-	-	
Closure of mining units	32,057	7,998	-	-	
Other intangibles	10,200	988	(1)	-	
	<u>603,851</u>	<u>62,107</u>	<u>(1)</u>	<u>-</u>	
Net cost	<u>752,788</u>				

(a) Development costs:

The movement and structure of this item is presented below:

	Balance as of January 1, 2019	Additions	Transfers	Impairment recognition
	US\$000	US\$000	US\$000	US\$000 (Not applicable)
Cost of:				
Yauli	404,325	48,179	-	
Cerro de Pasco	75,128	-	-	
Animon	204,680	25,805	-	
Paragsha and Subsidiaries	-	-	-	
Vinchos	6,258	-	-	
Rights granted by communities	17,911	-	(17,911)	
	<u>708,302</u>	<u>73,984</u>	<u>(17,911)</u>	
Accumulated amortization of:				
Yauli	157,834	26,417	-	
Cerro de Pasco	75,128	-	-	
Animon	80,341	10,842	-	
Paragsha and Subsidiaries	-	-	-	
Vinchos	6,258	-	-	
	<u>319,561</u>	<u>37,259</u>	<u>-</u>	
Net cost	<u>388,741</u>			

	Balance as of January 1, 2018 US\$000	Additions US\$000	Transfers US\$000	Impairment recovered US\$000 (Not applicable)
Cost of:				
Yauli	389,944	47,810	-	
Cerro de Pasco	75,156	-	-	
Animon	164,857	30,878	(7,996)	
Paragsha and Subsidiaries	-	-	-	
Vinchos	6,258	-	(59)	
Rights granted by communities	-	21,818	-	
	<u>636,215</u>	<u>100,506</u>	<u>(8,055)</u>	
Accumulated amortization of:				
Yauli	133,402	24,432	-	
Cerro de Pasco	74,839	289	-	
Animon	72,747	7,594	-	
Paragsha and Subsidiaries	1	(1)	-	
Vinchos	6,258	-	-	
	<u>287,247</u>	<u>32,314</u>	<u>-</u>	
Net cost	<u>348,968</u>			

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

	2019	2018
	US\$000	US\$000
Cost of sales (Note 22)	66,534	59,717
Administrative expenses (Note 23)	622	1,251
Other expenses (Note 25)	1,904	1,139
Total	<u>69,060</u>	<u>62,107</u>

15. ASSETS AND LIABILITIES HELD FOR SALE

The Company has concluded that the value of certain investments in Subsidiaries will be recovered through their sale, rather than the benefits arising from their operation. In addition, the Company has evaluated that it has the ability of transferring the assets to a potential buyer in current conditions. According to this, in November 2019, the Company entered into an agreement with Canadian company Cerro de Pasco Resources Inc. for the sale of its shares in its Subsidiaries Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. (Note 1(g)).

Due to this transaction, the assets and liabilities related to these Subsidiaries are presented as assets and liabilities held for sale. The Company has estimated that the fair value less the costs to sell of these Subsidiaries is US\$130,502. Such value represents the fair value that has been determined according to the consideration established in the share purchase agreement (Note 1(g)).

The assets and liabilities that comprise the operations classified as held for sale as of December 31, 2019 are the following:

	2019
	US\$000
Cash and cash equivalents	2,394
Trade accounts receivable (net)	4,268
Other accounts receivable (net)	48,714
Inventory (net)	29,829
Other accounts receivable	715
Property, plant and equipment (net)	185,486
Mining concessions, explorations and development costs and other intangibles (net)	2,215
Deferred income tax (net)	<u>28,365</u>
Total assets classified as held for sale	<u>301,986</u>
Bank overdrafts	1,628
Trade accounts payable	28,136
Other accounts payable	6,116
Financial obligations	459
Deferred income tax (net)	83,628
Provision for contingencies	7,161
Provision for mine closure and communities	<u>44,356</u>
Total liabilities related to assets classified as held for sale	<u>171,484</u>

16. FINANCIAL OBLIGATIONS

The movement and structure of this item is presented below:

	Original amount		Interest rate (%)	
	S/	US\$000		
Loans:				
Atlas Copco Financial Solutions AB	-	1,469	4.00	
Scotiabank Perú S.A.A.	-	10,000	2.85	
Banco Internacional del Perú S.A.	-	10,000	2.85	
Citibank N.A. New York	-	70,000	3.84	
BBVA Banco Continental	196,140	-	1.60	
Scotiabank Perú S.A.A.	194,340	-	1.50	
Scotiabank Perú S.A.A.	166,700	-	2.8	
Scotiabank Perú S.A.A.	368,885	-	1.65	
Banco de Credito del Perú	-	60,000	1.60	
Bonds:				
Traded bonds (a)	-	600,000	5.375	
Leases under IFRS 16:				
Lease liabilities	-	-	-	
Finance leases:				
Banco Internacional del Perú S.A.	-	-	Between 3.67 and 3.83	Between
Scotiabank Perú S.A.A.	-	-	Between 3.45 and 4.10	Between
Interests payable				
Total financial obligations				
Non-current portion				
Current portion				

- (a) Traded bonds known as "Senior Notes Due 2022" were issued on February 2, 2012 and were totally placed in the international market for US\$600,000, at an annual rate of 5.375%, maturing in 10 years. Interests are being paid in semiannual installments from August 2, 2012 to February 2, 2022.

The debt amortization schedule as of December 31, 2019 and 2018 is as follows:

Year	2019 US\$000	2018 US\$000
2019	-	208,665
2020	224,476	22,286
2021	30,260	21,611
2022	546,062	543,867
Total	800,798	796,429

As of December 31, 2019 and 2018, the reconciliation of cash flows to financial obligations are shown below:

	2019 US\$000	2018 US\$000
Movements related to cash flows		
Increase for obtaining bank loans	290,000	223,515
Payment of short-term loans from banks	(311,468)	(190,910)
Payment of commercial papers	-	(50,000)
Payment of finance leases	(4,975)	(3,603)
Payment of interests on loans	(39,479)	(36,286)
Payment of lease liabilities (IFRS 16)	(19,928)	-
Total	(85,850)	(57,284)
Movements not related to cash flows		
Increase for obtaining finance leases	8,742	75
Interests on loans	36,379	36,788
Lease liabilities (IFRS 16) - Rebilling	1,924	-
Lease liabilities (IFRS 16)	43,174	-
Increase/decrease of financial obligations during the year	4,369	(20,421)
Financial obligations at the beginning of the year	796,429	816,850
Financial obligations at the end of the year	800,798	796,429

Financial covenants

The Company and Subsidiaries have financial covenants in compliance with medium-term loan agreements entered into with Citibank, Interbank and Scotiabank. For this reason, the Company and Subsidiaries should submit a communication of the calculation of the following ratios to each one of the financial entities in a quarterly basis:

- Leverage (financial debt / EBITDA): the ratio should be less than 3.75.
- Interest hedge (EBITDA / financial expenses): the ratio should be higher than 5.00.

As of December 31, 2019, the result of the leverage ratio is 3.13 and the result of the interest hedge ratio is 5.80.

Management believes that, as of December 31, 2019 and 2018, no default event has occurred regarding the compliance with financial covenants as in the report of events required to be reported or other obligations derived from the agreement.

Guarantees

The Company has the following guarantees received from its Subsidiary Compañía Minera Chungar S.A.C. in order to secure the full compliance with its pertinent obligations:

- For the credit agreement entered into with Citibank for US\$70,000.
- For the issuance of bonds in the international market under Rule 144A and Regulation S of the United States Securities Act of 1933.

17. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	2019	2018
	US\$000	US\$000
Invoices payable (a)	111,564	124,326
Invoices receivable (b)	53,489	58,965
Guarantee funds	13,122	19,253
Total	<u>178,175</u>	<u>202,544</u>

- (a) Trade accounts payable mainly arise from the acquisition of materials and supplies for the execution of mining 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, 2019 and 2018, balances payable are effective and within the payment terms established by the Company, which range between 30 and 60 days.
- (b) Invoices receivable correspond to the estimated record of consumption of goods and services of December, for which, at the date of the consolidated financial statements, the payment receipts issued by their pertinent suppliers have not been received.
- (c) As of December 31, 2019, the Company and Subsidiaries hold obligations for US\$21,606, 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.

18. OTHER ACCOUNTS PAYABLE

Other accounts payable comprise the following:

	2019	2018
	US\$000	US\$000
To third parties		
Contribution to OEFA	19,267	19,523
Salaries and bonuses - Board of Directors	2,407	2,905
Salaries and profit-sharing - employees (a)	11,330	19,562
Income tax	8,877	33,612
Value added tax deductions	4,487	4,681
Mining taxes	1,877	1,556
Other accounts payable - IFRIC 23	1,696	-
Dividends	1,091	1,071
Income tax withheld from employees	982	815
Purchase of properties - "El Corral" land	752	920
Contributions to EsSalud	450	487
Legal withholdings	434	401
Contributions to pension fund administrators	425	461
Contributions to the National Pension Fund	193	219
Mining retirement fund	142	574
Value-added tax - Withholdings	58	277
Provision for income tax - IFRIC 23	52	-
Other minor items	1,949	3,694
	<u>56,469</u>	<u>90,758</u>
To related entities		
Salaries and bonuses of the Board of Directors	7,159	6,210
Sundry items	416	1
	<u>7,575</u>	<u>6,211</u>
Total	<u><u>64,044</u></u>	<u><u>96,969</u></u>

- (a) As of December 31, 2019 and 2018, this item mainly includes vacations and profit-sharing of employees for US\$5,816 and US\$2,539, respectively (US\$5,463 and US\$10,820 for vacations and profit-sharing of employees in 2018, respectively).

19. PROVISIONS

Provisions comprise the following:

	2019	2018
	US\$000	US\$000
Contingencies (a)	20,273	21,888
Mine closure (Note 33)	133,564	183,697
Agreements with communities (b)	18,760	21,818
Other provisions	6,492	5,683
Total	<u><u>179,089</u></u>	<u><u>233,086</u></u>

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

	US\$000
Balance as of January 1, 2018	21,034
Provision for the year (Note 25)	4,322
Reversal (Note 25)	<u>(3,468)</u>
Balance as of December 31, 2018	<u>21,888</u>
Provision for the year (Note 25)	5,627
Reversal (Note 25)	(80)
Transfer to liabilities directly associated with assets classified as held for sale	<u>(7,162)</u>
Balance as of December 31, 2019	<u>20,273</u>

(b) As of December 31, 2019, the nominal value of the provision for obligations with communities is US\$21,886 (US\$24,026 as of December 31, 2018), which has been discounted using the annual risk-free rate of 1.8% (2% in 2018), resulting in a net value of US\$18,760 (US\$21,818 as of December 31, 2018).

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/0.87 per share.

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 traded in the stock market. As of December 31, 2019, their quotation was S/3.49 and S/0.445 per share, respectively (S/3.50 and S/0.71 per share, respectively, as of December 31, 2018). As of December 31, 2019, the negotiation frequency of class A shares was 3.57% and 100% for class B shares (9.96% for class A shares and 100% for class B shares as of December 31, 2018).

The equity interest structure as of December 31, 2019 and 2018 is as follows:

Individual interest percentage in issued capital stock	Number of shareholders		Total interest percentage	
	2019	2018	2019	2018
			%	%
Less than 0.20	8,008	8,203	17.29	17.47
From 0.20 to 1.00	24	22	10.57	10.41
From 1.01 to 5.00	12	13	38.52	38.68
From 5.01 to 10.00	3	3	16.83	16.65
From 10.01 to 20.00	<u>1</u>	<u>1</u>	<u>16.79</u>	<u>16.79</u>
	<u>8,048</u>	<u>8,242</u>	<u>100</u>	<u>100</u>

At the Board of Directors' Meeting held on July 24, 2018, it was agreed to allocate advance dividends in cash on account of freely available profit as of June 30, 2018 for S/54,583 (equivalent to US\$16,641) and of future profit or loss. Those dividends were paid on August 22, 2018.

(b) Treasury shares

This item corresponds to shares of the Company acquired by Subsidiaries. From total shares, 182,970,350 common class A shares and 12,234,901 class B shares are owned by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 common class A shares are owned by subsidiary Compañía Minera Chungar S.A.C., and 306,283 common class A shares are owned by subsidiary Compañía Industrial Limitada de Huacho S.A.

(c) Legal reserve

Pursuant to the General Law of Corporations, 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.

As of December 31, 2019, the transfer of 10% of net profit from 2019 to the legal reserve has not been approved yet.

(d) Share premium

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

(e) Revaluation surplus

As of December 31, 2018, this item corresponds to the resulting surplus of revaluating land of Cosco Shipping Ports Chancay Perú S.A. (Terminales Portuarios Chancay S.A.) at market value. As of December 31, 2019, such company became from subsidiary to associate. See Note 1(d).

(f) Unrealized earnings

This item corresponds to unrealized profit (loss) from derivative financial instruments designated as hedging instruments (Note 10). 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, as applicable, and the profit or loss resulting from the effect of the fair value of the investment in equity instruments (Note 7).

21. NET SALES

During 2019 and 2018, revenue mainly includes sales of zinc, lead, silver and copper concentrates, as follows:

	2019	2018
	US\$000	US\$000
Net sales per concentrate:		
Zinc	421,247	478,436
Lead	165,626	186,399
Silver bars	75,520	56,162
Silver	39,277	41,639
Copper	36,732	34,271
Silver scrap	56	52
Bulk	-	61
	738,458	797,020
(Loss) profit in:		
Financial instruments	7,476	(13,924)
Embedded derivatives (Note 30(c))	(1,068)	(7,441)
Adjustments of open provisional liquidations	(1,288)	(553)
Total	743,578	775,102

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

	2019	2018
	US\$000	US\$000
Peru	534,069	551,126
Asia	126,412	102,878
Europe	63,535	115,884
America	14,442	26,049
Oceania	-	1,083
	<u>738,458</u>	<u>797,020</u>

(a) Sales concentration

In 2019, the three most important customers represented 80% of total sales (71% of total sales in 2018). As of December 31, 2019, 53% of the accounts receivable balance corresponds to these customers (61% as of December 31, 2018). Concentrates sales are made to well-known companies in the country and abroad.

(b) Sales commitments

As of December 31, 2019, the Company and Subsidiaries hold commitments with related entities and third parties for sales of zinc, lead and copper concentrates for 1,002,268 WMT, 47,552 WMT and 14,070 WMT until 2024, for an approximate amount of US\$728,448, US\$79,359 and US\$50,095 (1,302,226 WMT, 58,746 WMT and 5,762 WMT as of December 31, 2018, for an approximate amount of US\$1,078,243, US\$94,581 and US\$21,204).

In addition, as of December 31, 2019, the Company and Subsidiaries held commitments for the sale of Dore bars for 3,428,442 oz. for US\$69,597. As of December 31, 2020 and from that date on, there are no commitments for the sale of Dore bars.

22. COST OF SALES

For the years ended December 31, cost of sales comprises the following:

	2019	2018
	US\$000	US\$000
Beginning balance of concentrates (Note 11)	15,347	10,734
Beginning balance of minerals (Note 11)	11,814	16,395
Services provided by third parties, energy and others	216,623	210,832
Consumption of supplies	111,185	102,301
Depreciation (Note 12 (b))	105,200	100,590
Depreciation of right-of-use assets (Note 13)	18,302	-
Labor	70,576	69,943
Amortization (Note 14 (b))	66,534	59,717
Purchase of minerals and concentrates	1,016	1,630
Others	2,339	1,402
Ending balance of concentrates (Note 11)	(11,214)	(15,347)
Ending balance of minerals (Note 11)	(11,319)	(11,814)
Total	<u>596,403</u>	<u>546,383</u>

23. ADMINISTRATIVE EXPENSES

For the years ended December 31, administrative expenses comprise the following:

	2019	2018
	US\$000	US\$000
Personnel expenses	19,291	27,877
Mails, telecommunications and other minor items	7,401	6,153
Services provided by contractors	7,328	6,570
Professional fees	6,835	6,086
Insurance	3,383	3,031
Leases	2,618	2,067
Personnel services	1,999	1,613
Mining fees and penalties for concessions rights	1,930	-
Indemnities	1,649	495
Samples, assays and supervision	1,378	528
Communication and information technology	1,265	991
Depreciation (Note 12 (b))	1,193	1,556
Salaries and bonuses - Board of Directors	861	3,659
Amortization (Note 14 (b))	622	1,251
Depreciation of right-of-use assets (Note 13)	522	-
Total	<u>58,275</u>	<u>61,877</u>

24. SELLING EXPENSES

For the years ended December 31, selling expenses comprise the following:

	2019	2018
	US\$000	US\$000
Freight	14,047	15,707
Services for the sale of concentrates	3,442	2,909
Sundry services	1,855	1,439
Services provided by contractors	1,171	798
Personnel expenses	904	1,132
Samples, assays and supervision	789	1,066
Shipment expenses	419	423
Services provided by third parties	283	1,034
Leases	202	424
Depreciation (Note 12(b))	44	17
Impairment estimate for accounts receivable (Note 8)	43	2,236
Total	<u>23,199</u>	<u>27,185</u>

25. OTHER INCOME AND EXPENSES

For the years ended December 31, other income comprises the following:

	2019	2018
	US\$000	US\$000
Other income:		
Profit from fair value adjustment of investment in Cosco Shipping Ports Chancay Perú S.A.	18,288	-
Income from the sale of sundry supplies	11,130	9,686
Income from the sale of energy to third parties	10,701	6,461
Income from treatment services of minerals and others	10,417	4,760
Interests from returns	4,736	2,316
Disposal of fixed assets	1,371	478
Insurance compensation	785	1,634
Income from mine closure and communities	630	-
Reversal of provision for contingencies (Note 19)	80	3,468
Income from reversal of impairment of accounts receivable	-	10,000
Income from changes in estimates	-	4,976
Credit application EPS/SCTR	-	2,742
Others	8,702	9,776
Total	66,840	56,297

For the years ended December 31, other expenses comprise the following:

	2019	2018
	US\$000	US\$000
Other expenses:		
Impairment of other accounts receivable (a)	(26,270)	(3,272)
Plant shutdown (b)	(19,130)	(18,626)
Cost of sales of sundry supplies	(10,405)	(8,921)
Sundry non-deductible expenses	(8,843)	(8,266)
Depreciation (Note 12(b))	(7,019)	(3,744)
Cost of sales of energy	(6,396)	(4,163)
Cost of disposal of fixed assets	(5,635)	(2,465)
Provision for contingencies (Note 19)	(5,627)	(4,322)
Consulting services for the sale of TPCCH (Cosco Shipping Ports Chancay Perú S.A.)	(4,903)	-
Obsolescence of supplies	(4,476)	(252)
Contribution to OEFA and OSINERMIN	(3,935)	(1,928)
Adjustment of mine closure and communities	(2,484)	-
Cost of treatment service of minerals and others	(2,461)	(3,033)
Amortization (Note 14 (b))	(1,904)	(1,139)
Mining fees and penalties for concession rights	(1,520)	(220)
Shortfall of supplies	(1,366)	-
Tax administrative penalties	(1,344)	(4,745)
Net realizable value	(25)	-
Provision for insurance coverage	-	(5,096)
Others	(6,180)	(7,169)
Total	(119,923)	(77,361)

- (a) This item mainly corresponds to the impairment of Value added tax credit of non-operating companies.
- (b) In 2019, the shutdown expense mainly corresponded to the plants of the mining units Cerro, Animon and Mahr Tunel (Cerro and Islay in 2018) in order to comply with the safety standards of the Company and Subsidiaries.

26. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company and Subsidiaries updated their assessment of the recoverable value of long-term assets following the International Accounting Standard 36 Impairment of non-financial assets.

In 2019, as a consequence of an adjustment to the discount rate of Volcan, Management determined a reversal of the impairment estimate for US\$35,600 with an impact on deferred tax for US\$10,502. On the other hand, as a result of the assessment of other cash-generating units (CGU), Management determined a loss for the impairment estimate in constructions and buildings of Egerba and Huanchor for US\$14,505 and US\$5,108, respectively, with an impact on deferred income tax for US\$4,279 and US\$1,507, respectively.

In 2018, as a consequence of the increase of mineral resources and the mine plan of mining units Chungar and Oxidos, respectively, Management determined a reversal of the impairment estimate for US\$109,972. On the other hand, due to the decrease of mineral resources in Volcan and Cerro, Management determined an impairment loss estimate for US\$69,261. The net effect on non-financial assets balances is a recovery for the impairment estimate of US\$40,711.

	2019			2018		
	Impairment recovery	Impairment estimate	Total	Impairment recovery	Impairment estimate	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Cash-generating units:						
Volcan	35,600	-	35,600	-	(33,429)	(33,429)
Chungar	-	-	-	88,616	-	88,616
Cerro	-	-	-	-	(32,675)	(32,675)
Oxidos	-	-	-	21,332	-	21,332
Vinchos	-	-	-	24	(555)	(531)
Vichaycocha	-	-	-	-	(2,602)	(2,602)
Huanchor	-	(5,108)	(5,108)	-	-	-
Egerba	-	(14,505)	(14,505)	-	-	-
Total	35,600	(19,613)	15,987	109,972	(69,261)	40,711
Recorded in:						
Property, plant and equipment (net) (Note 12)	-	(19,613)	(19,613)	93,007	(16,916)	76,091
Mining concessions, exploration and development costs and other intangibles (net) (Note 14)	35,600	-	35,600	16,965	(52,345)	(35,380)
Total	35,600	(19,613)	15,987	109,972	(69,261)	40,711

The impairment estimate was determined by the Company and Subsidiaries considering the value in use of each cash-generating unit (CGU). For the calculation of the value in use, flows were projected during the life of mine of each CGU. The nominal discount rate used, before taxes, was 6.4%. Volcan's mining units are aligned to the life of the mine, which is until 2035.

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

For the years ended December 31, financial income and expenses comprise the following:

	2019	2018
	US\$000	US\$000
Financial income		
Exchange difference gain	1,113	-
Interests on loans granted	607	421
Other financial income	122	228
	<u>1,842</u>	<u>649</u>
Financial expenses		
Exchange difference loss	-	(4,116)
Interests on issued bonds (Note 16)	(30,206)	(30,230)
Interests and expenses of financial obligations (a)	(8,562)	(7,654)
Effect for the update of the present value of mine closure (Note 33)	(3,598)	(2,701)
Interests on lease liabilities	(1,924)	-
Effect for the update of the present value of communities	(404)	-
Commissions and other expenses	(3,692)	(787)
	<u>(48,386)</u>	<u>(45,488)</u>
Total		

- (a) As of December 31, 2019, this item includes swaps prepaid expenses for US\$1,691 (US\$1,096 in 2018).

28. INCOME TAX

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

	2019	2018
	US\$000	US\$000
Income tax		
Current	187	(33,557)
Deferred (a)	(43,812)	(37,692)
	<u>(43,625)</u>	<u>(71,249)</u>
Special mining tax (b)	(6,926)	(5,538)
Tax on mining royalties (b)	(1,709)	(7,742)
Contribution to the mining retirement fund (c)	(129)	(561)
	<u>(52,389)</u>	<u>(85,090)</u>
Total		

- (a) The Company and Subsidiaries recognize the effects of temporary differences between the accounting basis and the tax basis resulting from assets held for sale (Notes 1(g) and 15), Management has considered to not recognize it since the present control of the Company could not be met. Income tax is presented in the following table, according to the items that

	Additions (deductions)				Balance as of December 31, 2018 US\$000	Statement of profit or loss US\$000
	Balance as of January 1, 2018 US\$000	Statement of profit or loss US\$000	Statement of changes in equity US\$000	Other adjustments US\$000		
Deferred asset						
Depreciation expense of property, plant and equipment (net)	56,885	-	-	-	44,064	3,410
Amortization expense of mining rights and concessions, exploration, development and stripping costs	62	(12,826)	-	-	57	(3)
Provision for mines closure	40,029	13,394	-	-	53,423	(16,706)
Operating lease liability	-	-	-	-	-	6,903
Fair value of derivative financial instruments	19,771	(8,638)	(8,772)	-	2,361	(2,123)
Provision for contingencies	9,018	(1,237)	-	-	7,781	(251)
Obsolescence estimate for inventories	6,824	(4,880)	-	-	1,944	336
Recoverable tax loss carryforward	4,692	3,480	-	-	8,172	(7,199)
Embedded derivatives and sales adjustments	-	-	-	-	-	1,858
Effect for translation of tax benefits into U.S. dollars	-	2,581	-	-	2,581	1,625
Fair value of shares of Cementos Polpaico S.A.	3,127	-	(280)	-	2,847	-
Provision for community agreements	-	6,436	-	-	6,436	(1,427)
Vacations payable	2,010	(398)	-	-	1,612	10
Provision for doubtful accounts	1,364	(114)	-	-	1,250	(1,158)
Others	3,025	(403)	-	-	2,622	(1,682)
Total	146,807	(2,605)	(9,052)	-	135,150	(16,407)
Deferred liability						
Amortization benefits of mining rights and concessions, exploration, development and stripping costs	(196,034)	(33,545)	-	-	(227,455)	(20,299)
Depreciation benefits of property, plant and equipment (net)	(10,299)	-	-	-	(12,423)	(355)
Effect for translation of tax benefits into U.S. dollars	(32,806)	(14,145)	-	-	(46,951)	10,844
Fair value of derivative financial instruments	(9,316)	8,720	-	-	(596)	(1,317)
Valuation of stockpiles	(2,287)	-	-	-	(2,287)	91
Fair value adjustments of investment in associate	-	-	-	-	-	(5,395)
IFRIC 23	-	-	-	-	-	-
Insurance compensation	(1,583)	(442)	-	-	(2,025)	-
Embedded derivatives	(1,273)	1,273	-	-	-	(38)
Revaluation surplus and profit in beneficial terms for business combination TPCH (now Cosco Shipping Ports Chancay Perú S.A.)	(42,351)	-	-	-	(42,351)	-
Sales adjustments	-	(113)	-	-	(113)	113
Capitalization of expenses for bond issuance	-	(416)	-	-	(416)	134
Others	(3,804)	3,581	-	133	(90)	(11,183)
Total	(299,753)	(35,087)	-	133	(334,707)	(27,405)
Net asset (liability)	(152,946)	(37,692)	(9,052)	133	(199,557)	(43,812)

(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 amount paid 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 the Complementary Mining, Metallurgical and Iron and Steel Fund (FCJMMS for its Spanish acronym) will be managed by the Consolidated Fund of Social Security Reserves (FCR for its Spanish acronym), 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 Spanish acronym).

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 2019 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 persons 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 persons 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 third-category income tax 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 2019.

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, 2019.

(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 2015 to 2019 and value-added tax for the periods from December 2015 to December 2019 will be reviewed by the Tax Administration.

Entity	Years open to tax review by the Tax Administration - VAT
Volcan Compañía Minera S.A.A.	2015 - 2019
Empresa Administradora Chungar S.A.C. (1)	2015
Compañía Minera Chungar S.A.C. (1)	2016 - 2019
Empresa Explotadora de Vinchos Ltda. S.A.C.	2015 - 2018
Empresa Minera Paragsha S.A.C.	2015 - 2019
Compañía Minera Alpamarca S.A.C. (1)	2015
Empresa Administradora Cerro S.A.C.	2015 - 2019
Minera San Sebastián AMC S.R.L.	2015 - 2019
Compañía Minera Vichaycocha S.A.C.	2015 - 2019
Hidroeléctrica Huanchor S.A.C.	2015 - 2019
Empresa de Generación Eléctrica Río Baños S.A.C.	2015 - 2019
Compañía Hidroeléctrica Tingo S.A.	2015 - 2019
Óxidos de Pasco S.A.C.	2015 - 2019
Roquel Global S.A.C.	2017 - 2019
Cía. Industrial Ltda. Huacho S.A.	2015 - 2019
Corporación Logística Chancay S.A.C.	2017 - 2019

Entidad	Years open to tax review by the Tax Administration - Income tax
Volcan Compañía Minera S.A.A.	2015 - 2019
Empresa Administradora Chungar S.A.C. (1)	2015
Compañía Minera Chungar S.A.C. (1)	2016 - 2019
Empresa Explotadora de Vinchos Ltda. S.A.C.	2015 - 2019
Empresa Minera Paragsha S.A.C.	2015, 2016, 2018, 2019
Compañía Minera Alpamarca S.A.C. (1)	2015
Empresa Administradora Cerro S.A.C.	2016, 2018, 2019
Minera San Sebastián AMC S.R.L.	2015 - 2019
Compañía Minera Vichaycocha S.A.C.	2015 - 2019
Hidroeléctrica Huanchor S.A.C.	2015, 2016, 2018, 2019
Empresa de Generación Eléctrica Río Baños S.A.C.	2015 - 2019
Compañía Hidroeléctrica Tingo S.A.	2015 - 2019
Óxidos de Pasco S.A.C.	2015, 2016, 2018, 2019
Roquel Global S.A.C.	2017 - 2019
Cía. Industrial Ltda. Huacho S.A.	2014 - 2018
Corporación Logística Chancay S.A.C.	2017 - 2019

- (1) The merger under which Compañía Minera Alpamarca S.A.C. absorbed all the equity of Empresa Administradora Chungar S.A.C., which extinguished without liquidation, became effective on January 1, 2016. After the merger, Compañía Minera Alpamarca S.A.C. changed its corporate name to Compañía Minera Chungar S.A.C., which became the sole owner of the rights and obligations that may arise from the review of tax authorities.

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

(iii) Transfer pricing

The following new standards have been established:

- 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 be submitted and new tax returns are included:

Tax return	Minimum annual income	Assumption	Details	Effective from
Local report	S/9,890,000 (US\$2,997,000)	Operations with related entities	Transactions that give rise to taxable income or deductible expense	2018
Master report	S/86,000,000 (US\$26,000,000)	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 2018 to the Tax Administration and are now preparing the pertinent reports for 2019.

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, 2019 and 2018, in relation to transfer pricing.

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

During 2019 and 2018, 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:

	2019		2018	
	Amount US\$000	Percentage %	Amount US\$000	Percentage %
Profit (loss) before income tax	(17,939)	100.00	114,465	100.00
Income tax as per tax rate	(5,292)	29.50	33,767	29.50
Unrecognized deferred tax for tax losses	8,507	(47.42)	6,544	5.72
Adjustment of income tax from previous years	26,112	(145.56)	-	-
Impairment of non-recoverable non-financial assets	18,776	(104.67)	10,563	9.23
Translation effect of non-financial assets	(12,469)	69.51	14,145	12.36
Tax effects on non-deductible expenses and other minor items	7,991	(44.55)	6,230	5.44
Mining taxes as income tax	8,764	(48.85)	13,841	12.09
Income tax expense and tax rate applicable to profit as per records	52,389	(292.04)	85,090	74.34

(v) Income tax payable

The Company and Subsidiaries have a credit balance with the Tax Administration for US\$8,877 as of December 31, 2019 (US\$33,612 as of December 31, 2018) (Note 18).

(vi) Significant amendments to the income tax regime in Peru

After December 31, 2019, 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, 2019 have been considered by Management when preparing these consolidated financial statements.

The amendments that will be applicable as from 2020 are detailed below:

Deductibility of interests

Pursuant to Legislative Decree No. 1424, until 2020, the deductibility of interests for loans with third parties, related or not, should comply with an additional requirement, which establishes that interests will only be deductible for the portion of the loan that is not higher than 3 times the net equity of the Peruvian entity at the closing of the previous year (undercapitalization). This limit will be replaced by 30% of EBITDA as from 2021.

Extension of the exemption of capital gain for the transfer of securities in the Stock Market

Pursuant to Emergency Decree No. 005-2019, the exemption of capital gain provided by the transfer of certain securities in the Stock Market has been extended until December 31, 2022.

Amendments to the Single Revised Text of the General Mining Law

Pursuant to Emergency Decree No. 021-2019, from December 6, 2019, article 84 of the Single Revised Text of the General Mining Law was amended in order to comply with the requirements established therein in relation to foreign currency accounting, standards of comprehensive adjustments for inflation and applicable exchange rate, in case of tax stability agreements for a term of fifteen years regarding mining projects with an initial capacity no less than 15,000 MT/day or for extensions intended to reach a capacity no less than 20,000 MT/day about one or more concessions, or one or more Administrative Economic Units.

Vehicle expenses

Supreme Decree No. 181-2019-EF has established, from 2020, the non-deductibility of vehicle expenses with an acquisition cost or equity entry value, depending on whether they are free acquisitions or for a valuable consideration, higher than 26 UIT (it was 30 UIT before) purchased as from June 16, 2019.

Automatic tax information exchange

Supreme Decree No. 369-2019-EF establishes the financial information to be submitted to SUNAT so it can automatically exchange such information in accordance with international treaties and the decisions of the Andean Community Commission, so that SUNAT can automatically exchange the financial information using a standard electronic form. Thus, this entity is authorized to determine the concepts that reporting financial institutions should include in the pertinent return pursuant to a superintendence resolution.

29. BASIC AND DILUTED EARNINGS PER SHARE

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

As of December 31, 2019 and 2018, diluted earnings per common share have 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.

	2019	2018
	US\$000	US\$000
Net (loss) profit	(70,328)	29,375
Average common shares - thousands of units	3,857,618	3,857,668
Net (loss) profit for the year for basic and diluted earnings per share	(0.018)	0.008

30. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

The Company and Subsidiaries use derivative 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.

(a) Hedging operations of mineral prices

In 2019, 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 situations that increase them in upward price scenarios. Critical terms of hedging operations have been negotiated with agents so they match the terms negotiated in the related commercial agreements.

As of December 31, 2019, the Company had the following hedging operations receivable in force (Note 10):

Metal	Total volume FMT/OZ	Period	Fair value US\$000
Zinc	18,437	January 2020 - March 2020	3,915
Total			3,915

As of December 31, 2018, the Company did not have derivative financial instruments designated as hedging for prices of minerals.

(b) Hedging operations of interest rates

In 2017, the Company and Subsidiaries entered into an interest rate swap to ensure future flows of payment of interests for loans, whose amounts and maturity match the terms negotiated in the related loan.

As of December 31, 2019, the Company had the following hedging operations payable in force (Note 10):

Detail	Amount	Period	Fair value US\$000
Loan - Citibank N.A. New York	70,000	January 2017 - January 2022	(99)
Total			(99)

Cash flow and fair value hedges in force as of December 31, 2019 were evaluated by the Company's Management as highly effective. Effectiveness has been measured by the flow compensation method since the Company's Management considers that this method best reflects the objective of risk management in relation to hedging.

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

As of December 31, 2019 and 2018, 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, 2019:

Concentrate	Quantity DMT/OZ	Quotation period	Fair value US\$000
Receivable			
Zinc	101,262	January 2020	183
Lead	102,505	January - March 2020	381
Copper	9,509	January 2020	158
Silver	24,522	January - March 2020	17
Total			<u>739</u>
Payable			
Zinc	233,355	January - May 2020	<u>(4,943)</u>
Total (net)			<u><u>(4,204)</u></u>

As of December 31, 2018:

Concentrate	Quantity DMT/OZ	Quotation period	Fair value US\$000
Receivable			
Zinc	2,160	January 2019	60
Lead	9,250	January 2019 - March 2019	908
Copper	99	February 2019	19
Silver	1,281	January 2019 and March 2019	86
Total			1,073
Payable			
Copper	2,733	January 2019	(57)
Zinc	119,500	January 2019 - May 2019	<u>(4,061)</u>
Total			<u>(4,118)</u>
Total (net)			<u><u>(3,045)</u></u>

As of December 31, 2019 and 2018, fair values of embedded derivatives caused a loss of US\$1,068 and US\$7,441, 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, 2019 and 2018 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, Oxidos, 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.
- Oxidos: treatment of oxidized minerals in mining unit of Oxidos, which comprises oxide stockpiles, oxides in site, pyrite stockpiles and the Oxidos leach pad.

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

Data of interest per business segment as of December 31, 2019 and 2018 is presented in the tables below:

As of December 31, 2019:

	Volcan US\$000	Chungar US\$000	Cerro US\$000	Óxidos US\$000	Investment US\$000	Energy US\$000	Others US\$000	Deletions US\$000	Total US\$000
Total assets	2,261,543	853,459	78,807	260,620	270,589	149,304	42,658	(1,747,817)	2,169,163
Total liabilities	1,227,337	552,578	156,316	96,093	85,662	111,151	52,197	(682,900)	1,598,434
Sales	390,379	260,462	50,890	75,576	-	11,393	-	(45,122)	743,578
Gross profit	64,816	57,140	10,268	11,927	-	4,197	(0)	(1,173)	147,175
Operating expenses	(283,346)	(52,141)	(57,317)	(25,255)	(5,948)	(24,371)	(43,975)	271,343	(221,010)
Other operating income	129,220	10,178	12,935	2,490	10	3,785	1,587	(57,765)	102,440
Operating profit (loss)	89,310	(15,177)	34,114	10,838	5,938	(17,505)	76,283	(155,196)	28,605
Net (loss) profit for the year	(138,111)	(7,820)	(50,993)	(10,289)	(10,999)	(34,173)	(42,047)	224,104	(70,328)
Detail of sales									
Local sales	329,828	202,492	35,566	-	-	11,393	-	(45,209)	534,070
International sales	56,895	56,384	15,534	75,576	-	-	-	-	204,389
Embedded derivative, adjustment of open temporary liquidations and execution of financial instruments	3,656	1,586	(210)	-	-	-	-	87	5,119
	390,379	260,462	50,890	75,576	-	11,393	-	(45,122)	743,578

As of December 31, 2018:

	Volcan US\$000	Chungar US\$000	Cerro US\$000	Óxidos US\$000	Investment US\$000	Energy US\$000	Others US\$000	Deletions US\$000	Total US\$000
Total assets	2,357,630	775,408	104,277	268,201	279,133	160,529	252,456	(1,972,644)	2,224,990
Total liabilities	1,184,794	466,988	157,251	157,108	78,348	88,203	96,477	(652,332)	1,576,837
Sales	411,746	279,312	28,785	56,201	-	6,807	-	(7,749)	775,102
Gross profit	127,584	89,047	2,016	7,824	-	2,276	0	(28)	228,719
Operating expenses	(170,078)	(60,553)	(68,685)	(6,886)	(39,110)	(5,294)	(10,540)	125,462	(235,684)
Other operating income	96,746	113,971	37,176	23,035	-	3,746	825	(109,230)	166,269
Operating profit (loss)	54,252	142,464	(29,493)	23,974	(39,126)	1	(8,988)	16,220	159,304
Net profit (loss) for the year	9,856	85,797	(38,954)	10,334	(30,721)	(2,035)	(11,122)	6,220	29,375
Detail of sales									
Local sales	312,685	225,633	13,666	-	-	6,807	-	(7,749)	551,042
International sales	113,235	61,086	15,456	56,201	-	-	-	-	245,978
Embedded derivative, adjustment of open temporary liquidations and execution of financial instruments	(14,174)	(7,407)	(337)	-	-	-	-	-	(21,918)
	411,746	279,312	28,785	56,201	-	6,807	-	(7,749)	775,102

32. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

(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\$15,683, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$14,245 as of December 31, 2018). The Company's Management and its legal advisors believe that this provision adequately covers probable contingencies.

In relation to possible contingencies, external and internal legal advisors of the Company determined an amount of US\$31,399 (US\$52,492 as of December 31, 2018), which corresponds to several proceedings addressed by the Company.

Civil and labor proceedings

As of December 31, 2019, certain labors lawsuits have been filed against the Company for US\$7,391 (US\$6,753 as of December 31, 2018), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. Contingencies classified as possible amount to US\$16,600 (US\$23,820 as of December 31, 2018) for compensations for occupational disease,

refund of social benefits, payment of profit sharing, replacement of employees and others.

Tax proceedings

As of December 31, 2019 and 2018, 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.

Tax determination resolutions, fine and interest resolutions correspond to criteria differences in the determination of tax bases for the settlement of third-category income tax and value-added tax from 1998 to 2014, and according to the National Superintendence of Tax Administration (SUNAT), to the omitted payment of taxes.

The Company's Management considers that these proceedings represent a probable contingency of US\$4,440, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$4,487 as of December 31, 2018).

In addition, other tax proceedings were classified as possible, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT) for not complying with the causality principle or for not having the pertinent support, among other related concepts. These possible contingencies amount to US\$14,599 as of December 31, 2019 (US\$25,902 as of December 31, 2018).

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. As of December 31, 2019, contingencies classified as probable are presented in item "Provisions" of the consolidated statement of financial position for US\$3,852 and possible contingencies amount to US\$200 (US\$3,004 and US\$2,770 as of December 31, 2018, respectively).

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

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

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative and other proceedings, and has determined and established a provision for probable contingencies for US\$3,802, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$2,973 as of December 31, 2018). 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\$3,506 as of December 31, 2019 (US\$7,025 as of December 31, 2018), which corresponds to several proceedings addressed by the Subsidiary.

Civil and labor proceedings

As of December 31, 2019, certain labor lawsuits have been filed against Chungar for US\$759 (US\$320 as of December 31, 2019), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. There are no contingencies classified as possible as of December 31, 2019 (US\$39 as of December 31, 2018 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, 2019 and 2018, Chungar has not yet resolved some administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and the Tax Court for certain tax determination resolutions, fine and interest resolutions.

Tax determination resolutions, fine and interest resolutions mainly correspond to criteria differences in the determination of tax bases for the settlement of third-category income tax and value-added tax from 2001 to 2005 and from 2012 to 2015, and according to the National Superintendence of Tax Administration (SUNAT), to the omitted payment of taxes. To this date, these proceedings have been responded at an administrative level as a claim to the National Superintendence of Tax Administration (SUNAT) and an appeal to the Tax Court, as well at a legal level before the Judiciary.

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\$509 as of December 31, 2019 (US\$508 as of December 31, 2018).

Finally, there are other contingencies that have derived from concept discrepancies with the Tax Administration and have been classified as possible for US\$3,506 as of December 31, 2019 (US\$2,558 as of December 31, 2018).

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. As of December 31, 2019 contingencies classified as probable for US\$2,534, are presented in item "Provisions" of the consolidated statement of financial position (US\$2,145 as of December 31, 2018).

Finally, there are no contingencies classified as possible as of December 31, 2019 (US\$4,428 as of December 31, 2018).

(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\$6,615, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$4,226 as of December 31, 2018). Management and its legal advisors believe that this provision adequately covers probable contingencies.

In relation to possible contingencies, external legal advisors determined an amount of US\$4,052 (US\$7,978 as of December 31, 2018), which corresponds to several proceedings addressed by the Subsidiary.

Labor proceedings

As of December 31, 2019, certain labors lawsuits have been filed against the Subsidiary for US\$3,397 (US\$3,036 as of December 31, 2018), which have been classified as probable and are presented in item "Provisions" of the consolidated statement of financial position. Contingencies classified as possible amount to US\$3,600 (US\$5,395 as of December 31, 2018) 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, 2019 and 2018, 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 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 responded 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\$1,109 as of December 31, 2019 (US\$1,109 as of December 31, 2018).

As of December 31, 2019, there are no contingencies classified as possible that have derived from concept discrepancies with the Tax Administration (US\$2,583 as of December 31, 2018).

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. As of December 31, 2019, contingencies classified as probable for US\$2,108 are presented in item "Provisions" of the consolidated statement of financial position (US\$81 as of December 31, 2018) and contingencies classified as possible amount to US\$452 (there were no possible contingencies as of December 31, 2018).

Pursuant to the commercial agreement entered into with Cerro de Pasco Resources Inc. and in compliance with IFRS 5 Non-current assets held for sale and discontinued operations, provision for contingencies have been reclassified as liabilities directly associated with assets classified as held for sale (Note 15).

(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\$626, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$326 as of December 31, 2018). Management and its legal advisors believe that this provision adequately covers probable contingencies.

Tax proceedings

As of December 31, 2019, some tax proceedings have been filed against the Company, which include expenses disallowed by the National Superintendence of Tax Administration (SUNAT), classified as possible for US\$738. No contingencies were classified as possible as of December 31, 2018.

(a.5) Hidroeléctrica Huanchor S.A.C.

Based on the opinion of its external and internal legal advisors, Management has reviewed all tax, labor, civil, administrative and other proceedings, and has determined and established a provision for probable contingencies for US\$122, which is presented in item "Provisions" of the consolidated statement of financial position as of December 31, 2019 (US\$118 as of December 31, 2018). Management and its legal advisors believe that this provision adequately covers probable contingencies.

(b) Guarantees

The Company and Subsidiaries have letters of guarantee with financial entities in favor of:

- General Mining Board of the MEM that guarantees the compliance with the applicable Mine Closure Plans of the Company and Subsidiaries for US\$86,256 (US\$81,988 in 2018).
- National Superintendence of Tax Administration (SUNAT) for US\$34,498 to guarantee debts and obligations held with the Tax Administration, maturing in 2020 (US\$4,510 in 2018).
- Third parties that guarantee compliance with payments for the provision of services for US\$1,081 (US\$536 in 2018).

33. ENVIRONMENTAL OBLIGATIONS

Provision for the closure of mining units

The Congress of the Republic of Peru issued Law 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 28090 were published on August 16, 2005.

In 2019 and 2018, the Company and Subsidiaries submitted the updates of the Mine Closure Plan of their main mining units to the Ministry of Energy and Mines.

As of December 31, 2019, the Company and Subsidiaries recognized a liability of US\$133,564 for all their mining units (US\$183,697 as of December 31, 2018), in relation to their obligations for future closure:

	2019	2018
	US\$000	US\$000
Mining unit		
Cerro de Pasco	-	40,847
Óxidos	-	1,778
Chungar	35,559	40,469
Carahuacra	29,963	31,844
San Cristóbal	27,187	28,926
Andaychagua	15,428	16,101
Alpamarca	10,269	9,368
Vinchos	7,523	7,960
Ticlio	3,756	3,801
Vichaycocha	3,503	2,603
Toruna	35	-
San Sebastian	341	-
Total (Note 19)	<u>133,564</u>	<u>183,697</u>

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

	US\$000
Balance as of January 1, 2018	134,890
Changes in estimates	49,423
Increase for update of present value of provision (Note 27)	2,701
Payments	<u>(3,317)</u>
Balance as of December 31, 2018	<u>183,697</u>
Changes in estimates	(7,701)
Changes in estimates - Cerro - Óxidos	(3,760)
Increase for update of present value of provision (Note 27)	3,598
Payments	(5,013)
Transfer of assets/liabilities held for sale (IFRS 5) (Note 15)	<u>(37,257)</u>
Balance as of December 31, 2019	<u>133,564</u>

The provision for the closure of mining units represents the present value of closure costs that are expected to be incurred between 2020 and 2036. For 2019, the discount rate used for the calculation of the present value is 1.8% (2.0% in 2018). Changes in estimates consider the change in the rate, the inclusion of new units to the closure plan, 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. 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. Closure budgets are regularly reviewed to take into account any significant change in conducted studies. However, closure costs of the mining unit will depend on market prices of required closure works that will reflect future economic conditions.

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

As of December 31, 2019, the nominal value of the provision for the closure of mining units is US\$146,948, which has been discounted using the annual risk-free rate of 1.8%, resulting in a net present value of US\$133,564 (nominal value of US\$203,321 as of December 31, 2018, using an annual risk-free rate of 2%, resulting in a net present value of US\$183,697). 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, 2019 and 2018 amounted to US\$11,646 and US\$10,059, respectively, and corresponds to salaries, 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:

2019

- Adjustment of the present value of the provision for the closure of mining units for US\$7,701.
- Adjustment of the present value of the liability with communities for US\$18,758.
- Derecognition of Cosco Shipping Ports Chancay Perú S.A. for US\$131,599.

- Assets acquired under finance leases for US\$8,742.
- Acquisition of property, plant and equipment, which have not been paid yet, for US\$30,481.
- Acquisition of mining concessions, exploration and development costs and other intangibles, which have not been paid yet, for US\$28,071.

2018

- Adjustment of the present value of the provision for the closure of mining units for US\$49,423.
- Adjustment of the present value of the liability with communities for US\$21,818.
- Assets acquired under finance leases for US\$76.
- Acquisition of property, plant and equipment, which have not been paid yet, for US\$21,765.
- Acquisition of mining concessions, exploration and development costs and other intangibles, which have not been paid yet, for US\$9,892.

36. LEASES

The Company as lessee

Operating 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.

Payments recognized for this concept were US\$30,595 and US\$46,206 in 2019 and 2018, respectively. The commitments for operating leases are shown below:

	2019 US\$000	2018 US\$000
1 year or less	15,022	20,112
More than 1 to 3 years	<u>6,719</u>	<u>23,012</u>
	<u>21,741</u>	<u>43,124</u>

The carrying amount of right-of-use assets and liabilities recognized and the movements generated in the year are presented in Note 13 and Note 16, respectively.

In addition, the analysis of lease liabilities below is presented in Note 16:

	2019
	US\$000
Year 2020	17,590
Year 2021	6,204
Year 2022	790
Year 2023	11
	<u>24,595</u>
Less: Unaccrued interests	<u>(1,348)</u>
	<u><u>23,247</u></u>
Maturity:	
Long term	6,734
Short term	<u>16,513</u>
	<u><u>23,247</u></u>

37. SUBSEQUENT EVENTS

As a result of the continuous decline of demand of minerals from the Chinese market generated by the slowdown of its economy and the adverse impact of COVID-19 (Coronavirus), the quotation of the price of minerals traded by the Company and Subsidiaries is decreasing in international markets. The impact of this situation cannot be measured reliably to date.

The Board of Directors and Management of the Company and Subsidiaries are monitoring this situation, as well as the measures established by the Peruvian government, and are evaluating the impact that these events could have on the Company's financial position, their results and future cash flows, as those changes and modifications involve.

In addition to the situation described above, no other significant events have occurred since the closing date of these consolidated financial statements as of December 31, 2019 until March 20, 2020, which may significantly affect them.

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