PODEROSA

2021 ANNUAL
SUSTAINABILITY REPORT

THE KEYS TO OUR
# RESILIENCE

PART 7

# FINANCIAL

GRI
102-45

**KPMG en Perú**
Torre KPMG. Av. Javier Prado Este 444, Piso 27
San Isidro. Lima 27, Perú

Teléfono 51 (1) 611 3000
Fax 51 (1) 421 6943
Internet www.kpmg.com/pe

# INDEPENDENT AUDITORS' REPORT

**To the Stockholders and Directors of**
**Compañía Minera Poderosa S.A.**

We have audited the accompanying separate financial statements of Compañía Minera Poderosa S.A., which comprise the separate statement of financial position as of December 31, 2021 and 2020, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Separate Financial Statements**

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with the International Standards on Auditing approved for its application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the separate 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 Company's internal control. 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 separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



GRI
102-45

**Opinion**

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Compañía Minera Poderosa S.A. as of December 31, 2021 and 2020, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

**Emphasis of Matter**

We draw attention to Note 2.D to the financial statements, which describes that functional and presentation currency of the Company is Soles, the procedure followed by the Company in order to translate the separate financial statements for the year ended December 31, 2021 and 2020 from Soles into US Dollars and the purpose of the financial statements in US Dollars in compliance with IFRS. As a result, these separate financial statements may not be suitable for another purpose. Our opinion is not modified related to these matters.

**Other Matters**

1. The separated financial statements of Compañía Minera Poderosa S.A. in soles (functional and presentation currency) as of December 31, 2021 and 2020 have been prepared and presented separately; and in our report, dated January 31, 2022, we expressed an unqualified opinion on those financial statements.

2. The consolidated financial statements of Compañía Minera Poderosa S.A. and its subsidiaries as of December 31, 2021 and 2020, have been prepared and presented separately; and in our report, dated February 22, 2022, we expressed an unqualified opinion on those financial statements. The accompanying separate financial statements have been prepared in compliance with existing regulations in Peru for the presentation of financial reporting and reflect the value of investments in subsidiaries using the cost model.

Lima, Peru

May 18, 2022

Caipo y Asociados

Countersigned by:

Juan José Córdova (Partner)
Peruvian CPA Registration 18869

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Separate Statement of Financial Position
As of December 31, 2021 and 2020

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 155,590 | 101,018 |
| Trade accounts receivable | 7 | 2,547 | 3,528 |
| Other accounts receivable | 8 | 4,150 | 4,605 |
| Inventories | 9 | 14,971 | 13,820 |
| Prepaid expenses | 10 | 3,346 | 5,380 |
| **Total current assets** | | **180,604** | **128,351** |
| **Non-current assets** | | | |
| Investments in subsidiaries and associates | 11 | 6,368 | 7,025 |
| Prepaid expenses | 10 | 4,648 | 5,632 |
| Property, plant and equipment | 12 | 190,414 | 184,513 |
| Right-of-use assets | 13 | 7,530 | 6,066 |
| Intangible assets | 14 | 128,756 | 139,803 |
| **Total non-current assets** | | **337,716** | **343,039** |
| **Total assets** | | **518,320** | **471,390** |

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade accounts payable | 15 | 21,521 | 23,623 |
| Other accounts payable | 16 | 39,139 | 30,332 |
| Other financial liabilities | 17 | 17,142 | 18,115 |
| Lease liabilities | 13 | 2,881 | 2,999 |
| Employee benefits | 18 | 17,890 | 14,440 |
| Provisions | 19 | 571 | 1,108 |
| Derivative instruments | 21 | - | 1,862 |
| Current portion of provision for environmental rehabilitation | 20 | 937 | 937 |
| **Total current liabilities** | | **100,081** | **93,416** |
| **Non-current liabilities** | | | |
| Other accounts payable | 16 | 415 | 734 |
| Other financial liabilities | 17 | 7,854 | 11,927 |
| Lease liabilities | 13 | 4,307 | 3,023 |
| Provision for environmental rehabilitation | 20 | 16,871 | 20,433 |
| Deferred tax liabilities | 22 | 9,122 | 11,730 |
| **Total non-current liabilities** | | **38,569** | **47,847** |
| **Total liabilities** | | **138,650** | **141,263** |
| **Equity** | | | |
| Issued capital | 23 | 113,494 | 100,166 |
| Other capital reserves | 24 | 22,699 | 20,033 |
| Retained earnings | 25 | 243,477 | 209,928 |
| **Total equity** | | **379,670** | **330,127** |
| **Total equity and liabilities** | | **518,320** | **471,390** |

*The accompanying notes on pages 5 to 73 are an integral part of these separate financial statements.*



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Separate Statement of Changes in Equity
For the years ended December 31, 2021 and 2020

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Revenue | 28 | 539,262 | 475,189 |
| Cost of sales | 29 | (293,272) | (252,544) |
| **Gross profit** | | **245,990** | **222,645** |
| **Operating income (expenses)** | | | |
| Selling expenses | 30 | (13,996) | (10,263) |
| Administrative expenses | 31 | (41,585) | (36,496) |
| Other operating income | 35 | 4,418 | 2,221 |
| Other operating expenses | 35 | (377) | (1,610) |
| **Operating profit** | | **194,450** | **176,497** |
| **Finance income (borrowing costs)** | | | |
| Finance income | 33 | 286 | 290 |
| Borrowing costs | 33 | (2,096) | (19,253) |
| **Finance cost, net** | | **(1,810)** | **(18,963)** |
| **Profit before tax** | | **192,640** | **157,534** |
| Tax expense | 27 | (61,959) | (50,842) |
| **Profit for the period** | | **130,681** | **106,692** |
| Cummulative traslation adjustment | | 7,815 | (22,596) |
| **Total other comprehensive income** | | **138,496** | **84,096** |
| **Basic earnings per share (in dollars)** | 34 | **0.288** | **0.294** |

*The accompanying notes on pages 5 to 73 are an integral part of these separate financial statements.*

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Separate Statement of Changes in Equity
For the years ended December 31, 2021 and 2020

| *In thousands of U.S. dollars* | Number of ordinary shares | Issued capital (note 23) | Other capital reserves (note 24) | Retained earnings (note 25) | Total equity |
|---|---|---|---|---|---|
| Balance as of January 1, 2020 | 363,000,000 | 109,436 | 21,887 | 160,178 | 291,501 |
| Profit of the period | - | - | - | 106,692 | 106,692 |
| **Total other comprehensive income** | **-** | **-** | **-** | **106,692** | **106,692** |
| Dividend distribution | - | - | - | (45,470) | (45,470) |
| **Total transactions with stockholders** | **-** | **-** | **-** | **(45,470)** | **(45,470)** |
| Cummulative traslation adjustment | - | (9,270) | (1,854) | (11,472) | (22,596) |
| **Balance as of December 31, 2020** | **363,000,000** | **100,166** | **20,033** | **209,928** | **330,127** |
| Balance as of January 1, 2021 | 363,000,000 | 100,166 | 20,033 | 209,928 | 330,127 |
| Profit of the period | - | - | - | 130,681 | 130,681 |
| **Total other comprehensive income** | **-** | **-** | **-** | **130,681** | **130,681** |
| Dividend distribution | - | - | - | (62,433) | (62,433) |
| Dividends not distributed | - | - | - | (3) | (3) |
| Issuance of treasury shares | - | - | - | (26,517) | (26,517) |
| Establishment of legal reserve | - | - | - | - | - |
| **Total transactions with stockholders** | **-** | **-** | **-** | **(88,953)** | **(88,953)** |
| Cummulative traslation adjustment | - | 13,328 | 2,666 | (8,179) | 7,815 |
| **Balance as of December 31, 2021** | **363,000,000** | **113,494** | **22,699** | **243,477** | **379,670** |

*The accompanying notes on pages 5 to 73 are an integral part of these separate financial statements.*





*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Separate Statement of Cash Flows
For the years ended December 31, 2021 and 2020

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit or loss | | 130,681 | 106,692 |
| **Debit (credit) to non-cash items (profit or loss)** | | | |
| Depreciation | *12 & 13* | 12,924 | 10,498 |
| Amortization | *14* | 62,444 | 63,167 |
| Loss allowance for other accounts receivable | *8 & 31* | 281 | 409 |
| Provision for litigations | *19 & 31* | (330) | 440 |
| Deferred tax | *22* | (1,547) | (731) |
| Costs of upgrading the provision for mine closure | *20 & 33* | 225 | 246 |
| Loss on sale of property, plant and equipment | *35* | 377 | 1,610 |
| Income tax | | 63,471 | 51,573 |
| Exchange difference | | (989) | (807) |
| Finance charge, net | *33* | 1,429 | 2,261 |
| **Charges and credits for net changes in assets and liabilities** | | | |
| Increase (decrease) in trade accounts receivable | *7* | 981 | (628) |
| Increase in other accounts receivable | *8* | 455 | 2,546 |
| Decrease in inventories | *9* | (1,151) | (449) |
| Increase (decrease) in prepaid expenses | *10* | 3,019 | 906 |
| Increase in trade accounts payable | *15* | (2,101) | 2,224 |
| Increase in other accounts payable | | 6,678 | 8,794 |
| Cash paid for liabilities for mine closure | *20* | (1,263) | (107) |
| Cash flows from operating activities | | 275,584 | 248,644 |
| Cash paid for interest | | (1,652) | (2,202) |
| Cash paid for income tax | | (60,387) | (46,128) |
| **Net cash from operating activities** | | **213,545** | **200,314** |
| **Cash flows from investing activities** | | | |
| Cash receipts for sale of property, plant and equipment | | 165 | - |
| Acquisition of intangible assets | *14* | (54,200) | (52,247) |
| Acquisition of property, plant and equipment | *12* | (35,170) | (24,455) |
| **Net cash used in investing activities** | | **(89,205)** | **(76,702)** |
| **Cash flows from financing activities** | | | |
| Loans received | *17* | - | 29,000 |
| Cash paid for short-term loans | *17* | - | (11,500) |
| Cash paid for long-term loans | *17* | (5,073) | (26,455) |
| Cash paid for finance leases | *13 & 17* | (3,251) | (4,801) |
| Cash paid for dividends | *17* | (62,433) | (45,470) |
| **Net cash used in financing activities** | | **(70,757)** | **(59,226)** |
| Net increase in cash and cash equivalents | | 53,583 | 64,386 |
| Cash and cash equivalents at the beginning of the year | *6* | 101,018 | 35,825 |
| Effects of changes in exchange rates on cash held | | 989 | 807 |
| **Cash and cash equivalents at the end of the year** | *6* | **155,590** | **101,018** |
| **Non-cash transactions** | | | |
| Increase (decrease) in costs for mine closure | | (539) | 13,112 |
| Increase (decrease) in liabilities for mine closure | *12* | 539 | (13,112) |
| Increase in right-of-use assets | *13i.* | 4,521 | 1,260 |
| Acquisition of fixed assets | | - | (79,953) |
| Capital increase due to capitalization of results | *23* | 26,517 | - |

*The accompanying notes on pages 5 to 73 are an integral part of these separate financial statements.*

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 1. Background and Economic Activity

**A. Background**
Compañía Minera Poderosa S.A. (hereinafter the Company) was incorporated on May 5, 1980. The Company's legal domicile is located at Av. Los Faisanes Mz. G Lt. 16 A 1 Fundo San Sebastián Zona, Chorrillos, Lima, Peru.

The Company's ordinary shares are listed in the Lima Stock Exchange (BVL, for its Spanish acronym); therefore, it shall meet the specific requirements of the Superintendence of Securities Market (SMV, for its Spanish acronym).

**B. Economic activity**
The Company is mainly engaged in the exploration, extraction, precipitation and casting of gold to produce gold bullion. Mining and metallurgical activities are carried out in the Poderosa Production Unit located in the District of Pataz, Department of La Libertad, Peru.

The Company has signed two contracts for the refining and sale of gold and silver, the first one with Asahi Refining Canada Limited and another with Argor Heraus Switzerland. Both contracts have specified the conditions of sale, quality of the metals, the responsibilities, and obligations of each party, among others.

For administrative and decision-making purposes, the Company considers the transaction as a single reportable segment that are the Marañón and Santa María Production Units, which have mining concessions generating income, costs and expenses, as well as operating control. The information is reported as a single company.

**C. Approval of the separate financial statements**
The separate financial statements as of December 31, 2021 have been issued with management approval on January 31, 2022, and will presented to the Board of Directors for corresponding approval, and then presented to the General Stockholders' Meeting, which will be held within the terms established by law, for final approval. In management's opinion, the Board of Directors and the General Stockholder's Meeting will approve the accompanying separate financial statements without amendments.

The General Stockholders' Meeting held March9, 2022, approved the separate financial statements as of December 31, 2020.

## 2. Basis of Preparation of the Separate Financial Statements

**A. Statement of compliance**
The separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective December 31, 2021.

The Company's accounting policies are described in note 3.

**B. Information responsibility**
The information contained in these separate financial statements is the responsibility of the Company's Board of Directors that expressly states that all the principles and criteria, included in IFRSs and issued by IASB, have been applied.

**C. Basis of measurement**
The separate financial statements have been prepared on a historical cost basis from the accounting records held by the Company, excluding derivative instruments measured at fair value.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**D. Translation from Soles into US dollars (unaudited)**
The functional and presentation currency of the Company is Soles. The financial statements in Soles have been translated into US dollars subject to the application of "IAS 21 - The Effects of Changes in Foreign Exchange Rates", as follows: The assets and liabilities of the statement of financial position presented as of December 31, 2021 and 2020, were translated at the exchange rate at closing date. The equity presented as of December 31, 2021 and 2020 were translated at the exchange rate at date of historical transaction. The income and expenses contained in the statement of profit or loss and other comprehensive income for the year ended December 31, 2021 and 2020, were translated at the exchange rate of every transaction date. All exchange differences shall be recorded in the statement of other comprehensive income. The financial statements in US dollars were prepared to comply with requirements of shareholders, clients, supplier, banks and with the purpose to be included in the annual memory of the Company.

**E. Use of judgments and estimates**
In preparing these separate financial statements under IFRSs, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and judgments used are reviewed on an ongoing basis. Revisions to accounting estimates are recognized when the estimate is revised and in any future period affected.

***Judgments***
Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the separate financial statements is included in the following notes:

- Revenue recognition: identifying performance obligations and determining revenue recognition over a period of time or at a point in time (note 3.O).
- Leases: determining whether an arrangement is, or contains, a lease and its classification (note 3.G).
- Uncertain tax treatment: determining current tax payable and current tax expense for which there is uncertainty over income tax treatment (note 3.I).
- Functional currency: using certain judgments to determine the primary economic environment in which an entity operates (note 2.D).

***Assumptions and estimation uncertainties***
Information about assumptions and estimation uncertainties as of December 31, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is described as follows:

***i. Useful life and recoverable amount of items of property, plant and equipment***
Depreciation is calculated using the straight-line method based on the lower of the estimated useful life of the asset and the remaining useful life of the mine.

Probable and proved reserves are used in calculating the depreciation and amortization of mining assets. This results in depreciation and/or amortization charges proportional to the expected wear and tear of the residual value of mine production.

In determining the useful life of an asset, the Company considers the limits on the use of the asset, and estimates and assumptions on the total estimated reserves and capital expenses expected to be required.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, if the asset were in the condition expected at the end of its useful life. It is determined at the end of the reporting period.

***ii. Determination of mineral resources and reserves (note 3.F)***
The reserves represent the proved and probable mineral resource estimate that, in the current conditions, can be processed economically under established parameters.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The process for estimating mineral reserves is complex and requires the assessment of available information on geology, geophysics, engineering and economics, which is highly subjective. Accordingly, the reserve estimate may be reviewed and adjusted for different reasons—e.g., changes in the geological data or assumptions, quoted prices, production costs and results of exploration activities. The estimate is carried out once a year with the support of internal specialists and every 2 years, with external specialists.

Changes in the reserve estimate directly affect the calculations of depreciated items of property, plant and equipment related to the mining activities, provision for mine closure and amortized exploration and development expenses.

***Conversion of mineral resources into ore reserves (note 3.F)***
According to the Joint Ore Reserves Committee Code (JORC)—the Australasian code that sets minimum standards for public reporting of exploration results, mineral resources and ore reserves, and for determining probable and proved reserves—definition, an ore reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined or extracted. Also, it is defined by studies at pre-feasibility or feasibility level, as appropriate, that include the application of modifying factors—i.e., extraction, metallurgical, economic, market, legal, environmental, social and governmental factors. Such studies demonstrate that, at the reporting date, extraction could be reasonably justified.

Ore reserves are subdivided in order of increasing confidence into probable ore reserves and proved ore reserves.

Given the Company's level of reserves and their production, the estimated useful life of a mine is 3 years, evidencing the type of deposit. A linear increase in investments on geology does not necessarily involve a linear increase in reserves.

***iii. Provision for environmental rehabilitation and mine closure (note 3.J)***
The Company measures a provision for mine closure on an annual basis. The recognition of such provision requires the use of significant estimates and assumptions since there are several factors impacting on the final provision. These factors include the estimated scope and costs of closing activities, changes in the technology, changes in the laws, increase in costs compared with inflation rates, and changes in the discount rates.

Such estimates and assumptions may result in actual expenses that are different from the amounts initially recorded. The amount recognized as a provision is the best estimate of the expense required to settle the present obligation (mine closure) at the end of the reporting period.

***Loss allowance for trade accounts receivable***
The Company recognizes a loss allowance for trade accounts receivable when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the accounts receivable. The loss allowance for trade accounts receivable and contract assets is recognized using key assumptions to determine the weighted-average loss ratio (note 3.N and note 5.D Credit risk) (note 3.K).



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

***iv. Taxes***
The Company is required to use judgments to determine the income tax. Since there are several transactions and calculations, the final income tax is uncertain. The Company recognizes a liability for matters from tax audits based on whether additional tax payments will be required. When the final income tax of such tax audits is known and it is different from the amount initially determined, any adjustments have an effect on the current and deferred tax when the result of the final audit is known.

In determining current tax, the Company uses existing tax laws and does not include provisions that will generate differences from tax audits. Accordingly, the Company is not required to disclose a sensitivity analysis for changes in the income tax determination, because if there is any difference, it would not have a significant effect on profit or loss of the separate financial statements (note 3.I).

***v. Allowance for inventory obsolescence***
The allowance for inventory obsolescence is recognized based on the net realizable value for inventories where there is evidence of impairment on an annual basis. Such allowance is debited to profit or loss when such reductions occurred (note 3.C).

***vi. Provision for administrative and labor proceedings***
Due to their nature, contingencies will be confirmed only by the occurrence or non-occurrence of one or more future events. The determination of contingencies requires the use of judgments and assumptions of the outcomes of future events (note 3.Q).

***vii. Fair value measurement***
A number of the Company's accounting policies and disclosures require fair value measurement for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the fair value measurement. A valuation team is responsible for monitoring all significant fair value measurements, including Level 3 inputs, and reporting directly to the Finance Management.

The valuation team regularly reviews significant unobservable inputs and measurement adjustments. If third-party information—e.g., broker quotes or pricing services—is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these measurements meet IFRS requirements, including the level of the fair value hierarchy in which these measurements should be classified. Significant measurement issues are reported to the Board of Directors
(notes 5.G and 3.L).

When measuring the fair value of an asset or liability, the Company uses observable market data whenever possible. Fair values are classified at different levels within a fair value hierarchy that is based on the input data used in the valuation techniques, the different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

***viii. Temporary adjustments to sales prices***
Sales of the Company's ore concentrates are based on business contracts whose provisional value is allocated to sales that shall be adjusted at the final quoted price.

An adjustment to sales is considered as an embedded derivative that shall be separated from the contract.

Embedded derivatives are not classified as derivative instruments; therefore, changes in the fair value are recorded in the separate statement of profit or loss and other comprehensive income. Embedded derivatives corresponding to the last ships of each reporting period are not significant to the Company, thus this estimate is not included in the separate financial statements.

***ix. Acquisition of subsidiary***
The acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values (notes 11 and 3.D).

## 3. Significant Accounting Policies
Significant accounting policies used in the preparation of the separate financial statements are detailed below. These principles and policies have been applied consistently to all years presented, unless otherwise indicated.

**A. Cash and cash equivalents**
This caption comprises cash on hand, demand deposits in banks and other short-term, highly liquid investments with original maturities of less than 3 months and with no significant risk of changes in the fair value (note 6).

**B. Financial instruments**

***i. Initial recognition and measurement***
Trade accounts receivable and debt instruments are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade account receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. At initial recognition, a trade account receivable without a significant financing component is measured at the transaction price.

***ii. Classification and subsequent measurement***

▪ ***Financial assets***
At initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – investment in a debt instrument; FVOCI – investment in an equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

A financial asset is measured at amortized cost if it meets both of the following conditions and is not measured at FTVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

An investment in a security or debt instrument is measured at FVOCI if it meets both of the following conditions and is not measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

At initial recognition of an investment in an equity instrument that is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the investment's fair value. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Business model assessment***
The Company assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest yield profile, matching the duration of the financial assets to the duration of the liabilities that those assets are financing. To achieve such objective, the Company will both collect contractual cash flows and sell financial assets;
- How the performance of the portfolio is assessed and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are remunerated—e.g., whether remuneration is based on the fair value of assets managed or the contractual cash flows collected—; and
- The frequency, volume and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of assets.

***Assessment whether contractual cash flows are solely payments of principal and interest***
For purposes of this assessment, "principal" is defined as the fair value of a financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the outstanding principal amount at a certain point in time and other basic credit risks and costs—e.g., liquidity risk and administrative expenses—, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows so that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the timing or amount of cash flows;
- Terms that may adjust the coupon rate, including variable rate features;
- Prepayment features and extension options; and
- Terms that limit the Company's claim to cash flows from specified assets—e.g., non-recourse financial assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal amount, which may include reasonable compensation for the early termination of the contract. In addition, a financial asset is eligible to be measured at amortized cost or FVOCI if the Company acquires the financial asset at a discount or premium to the contractual face value; the prepayment amount substantially represents the contractual face value and accrued (but unpaid) contractual interest, which may include reasonable compensation for the early termination of the contract; and when the Company initially recognizes the financial asset, the fair value of the prepayment feature is insignificant.

***Subsequent measurement and gains and losses***

| | |
|---|---|
| Financial assets measured at FVTPL | They are subsequently measured at fair value. Net gains and losses, including any interest or dividend revenue, are recognized in profit or loss. However, see note for derivatives designated as hedging instruments. |
| Financial assets measured at amortized cost | Financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |

As of December 31, 2021, and 2020, the Company's financial assets are those presented in the separate statement of financial position in 'cash and cash equivalents,' 'trade accounts receivable' and 'other accounts receivable,' and are measured at amortized cost.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

***Subsequent measurement and gains and losses***

| | |
|---|---|
| Financial assets measured at FVTPL | They are measured at FVTPL, including any interest or dividend revenue. |
| Loans and accounts receivable | They are measured at amortized cost using the effective interest method. |

- ***Financial liabilities***

***Classification, subsequent measurement and gains and losses***
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such at initial recognition. A financial liability at FVTPL is measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest revenue and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

***iii. Derecognition***

***Financial assets***
A financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset expire; or the Company transfers the contractual rights to receive the cash flows from the financial asset; and the Company transfers substantially all risks and rewards of ownership of the financial asset, or the Company neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

The Company conducts transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognized.

***Financial liabilities***
A financial liability is derecognized when its contractual obligations are discharged or canceled or expire. An exchange between an existing borrower and lender of financial liabilities with substantially different terms is recognized as a derecognition of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is recognized as a derecognition of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

***iv. Offsetting***
A financial asset and a financial liability is offset and the net amount presented in the separate statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts; and it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

***v. Derivative instruments***

***Derivative instruments and hedge accounting***
At initial recognition, derivative instruments are measured at acquisition-date fair value and are permanently remeasured at fair value. The method used to recognize any gain or loss on changes in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the hedged item.

**C. Inventories**
Inventories are measured at the lower of cost or net realizable value. The cost is measured using the weighted average cost method. However, the cost of goods in transit is measured using the specific cost method.

The cost of finished goods and work-in-progress includes costs related to the mineral extraction, direct labor, direct costs and general expenses, excluding borrowing costs and exchange differences (note 9).

Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory obsolescence is charged to profit or loss for decreases in the carrying amount of inventories at its net realizable value. The current portion of inventories is determined based on the accounts that are expected to be recorded in the next 12 months.

The main items in 'inventories' are the following:

***Finished goods and work-in-progress***
Finished goods comprise the inventory of gold. Finished goods resulting from the Company's production activities are measured at the average cost, including costs incurred in the production process and applicable refinery costs. Work-in-progress comprises the gold cyanide process where there is certainty of the recovery of minerals in ounces of gold. Work-in progress does not include stockpiles since they are primary minerals where there is uncertainty over the exact number of ounces of ore that can be obtained.

The cost of finished goods and work-in-progress includes costs related to the services from contractors, use of materials and supplies, direct labor, other direct costs and production costs included in the cost of inventories based on the normal capacity of the production units. The normal capacity of the production units is included in the annual production budget.

***Materials, supplies and goods in transit***
The cost of these items includes import duties and non-refundable purchase taxes. The loss allowance for such items is recognized based on management's specific assessment of the turnover. If the carrying amount of materials and supplies exceeds the replacement cost, the difference is charged to profit or loss when it is determined.

**D. Investments in subsidiaries and associates**
A subsidiary is an entity that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

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 without the power to control or jointly control those policies.

The financial statements of a subsidiary are included in the consolidated financial statements from the date when the Company gains control until the date when it ceases to control the subsidiary.

Subsidiaries and associates are recorded in the separate financial statements using the cost model.

As of December 31, 2021 and 2020, the Company has no interests in consolidated structured entities and unconsolidated structured entities.

If the Company loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, and any related non-controlling interests and other items of equity. Any resulting gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at fair value when control is lost (note 11).

**E. Property, plant and equipment**

***i. Recognition and measurement***
An item of property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price or construction cost, including expenses directly attributable to the acquisition or manufacturing of these items. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

An item of property, plant and equipment items is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item. They are recognized in the separate statement of profit or loss and other comprehensive income.

The residual value and useful life of an asset and the depreciation method used are reviewed and adjusted, if necessary, at the end of each reporting date. Any changes in the accounting estimates are adjusted prospectively.

***ii. Subsequent costs***
The cost of an item of property, plant and equipment is recognized at the carrying amount of the asset or as an asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably; otherwise it is charged to production costs or expenses, as appropriate. Repair and maintenance expenses are charged to production costs or expenses, as appropriate, when they are incurred.

The costs incurred to replace part of an item of property, plant and equipment are capitalized separately, and the carrying amount of the replaced part is written-off. If the replaced part is not considered as a separate part of the asset, the replacement cost of the new part is used to estimate the carrying amount of the replaced asset.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Work-in-progress is capitalized separately. Upon completion, the cost of these assets is transferred to a final category. Work-in-progress is not depreciated.

***Major repair and maintenance expenses***
Major repair and maintenance expenses include replacement cost of assets or parts of assets and overhaul costs performed every few years to maintain the operating capacity of the asset as per the technical specifications provided by the asset's supplier. They are capitalized at initial recognition of the asset as a separate part and are depreciated over the estimated period necessary for the next major repair and maintenance.

***Depreciation***
Land is not depreciated. Depreciation is calculated on a straight-line basis using the following estimated useful lives:

| | **Years** |
|---|---|
| Buildings and other constructions | 5-30 |
| Machinery and equipment | 2-30 |
| Vehicles | 2-6 |
| Furniture and fixtures | 5-20 |
| Various equipment | 3-25 |
| Assets for environmental rehabilitation and mine closure | Useful life of mine |

The carrying amount of an asset is reduced at its recoverable amount when the asset's carrying amount exceeds its recoverable amount (note 12).

**F. Intangible assets**

***Mining concessions and rights***
Significant costs related to the acquisition of rights on mining concessions are capitalized. If a mineable ore body is not discovered, the costs incurred are debited to profit or loss when there are no future economic benefits from the rights. Mining concessions, in which mineable ore bodies are discovered, are amortized from the production phase using the straight-line method. If the Company abandons a concession, the related costs are written-off and charged to the separate statement of profit or loss and other comprehensive income.

***Exploration and development expenses***
The Company capitalizes exploration expenses when proved and probable reserves are determined. Such costs are amortized over the useful life of the mine when carrying out the commercial exploitation activities of reserves. When the Company does not expect any future economic benefits from the mine, the accumulated exploration expenses are charged to profit or loss.

When a mine is considered commercially viable—i.e., when proved and probable reserves are determined—, the costs incurred to develop such property—e.g., costs related to the use of materials and fuels, land survey studies, drilling costs and payments to contractors, including additional costs to trace the ore body and waste removal costs—are capitalized. Development expenses are amortized using the straight-line method based on the proved and probable reserves and are charged to production costs (note 14).



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**G. Leases**
At inception of a contract, the Company assesses a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration (note 13).

***i. The Company as lessee***
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date—i.e., the date on which a lessor makes an underlying asset available for use by a lessee. The Company shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. However, the Company did not identify one or more additional lease or non-lease components of a contract. Therefore, the consideration is allocated only to a lease component identified.

***Right-of-use assets***
At the commencement date, a right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the site on which it is located.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the end of the lease term. In addition, the right-of-use asset is measured at cost less any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The useful life of assets are as follows:

| | |
|---|---|
| Land | 3 years |
| Property | 3 years |
| Machinery | 1.5 years |
| Various equipment | 3 years |

If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

***Lease liabilities***
At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses the incremental borrowing rate as discount rate. It is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment.

The Company determines the incremental borrowing rate as follows:

- It uses the external loan received by the lessee as a starting point, adjusted to reflect changes in the financing conditions since the external loan was received;
- It uses a structured approach beginning with a risk free interest rate adjusted for credit risk to held leases without a third-party loan; and
- It makes specific adjustments to the lease—e.g., term, country, currency and security.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate; variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liabilities are measured at present value using the effective interest method. Subsequent to the commencement date, the Company shall measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. Lease liabilities are remeasured when there is a change in the future lease payments resulting from a change in an index or rate; there is a change in the amounts expected to be payable under a residual value guarantee; or if the Company reassesses whether it is reasonably certain to exercise a purchase, extension or termination option.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The borrowing costs are charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero, it shall recognize any remaining amount of the remeasurement in profit or loss.

***Short-term leases and leases of low-value assets***
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets (less than US$ 5,000). The Company recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

***ii. The Company as lessor***
At inception or on modification of a contract that contains a lease component, the Company shall allocate the consideration in the arrangement to each lease component on the basis of the relative stand-alone price of the lease component.

At the commencement date, the Company, acting as lessor, classifies each of its leases as either an operating lease or a finance lease.

In classifying each lease, the Company assesses whether substantially all the risks and rewards incidental to ownership of an underlying asset are transferred. If so, the lease is classified as a finance lease; otherwise, it is classified as an operating lease. In such assessment, the Company considers certain indicators—e.g. whether the lease covers all of the asset's useful life.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The Company recognizes the lease payments associated with operating leases as income on a straight-line basis over the lease term, which are included in 'other income' (notes 35 and 13).

**H. Loans**
Loans are initially measured at fair value, less transaction costs incurred. Loans are subsequently measured at amortized cost, and any difference between the funds received and the redemption amount is recognized in the separate statement of profit or loss and other comprehensive income during the loan term using the effective interest method. Non-relevant transaction costs are not considered and are included in the separate statement of profit or loss and other comprehensive income.

The Company classifies a loan as a current liability when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the date of the separate statement of financial position (note 17).

**I. Income tax and deferred tax**
Tax expense comprises current and deferred tax. Taxes are recognized in the separate statement of profit or loss and other comprehensive income.

***Current tax***
Current tax liabilities and assets are measured using the tax rates and tax laws that have been enacted or substantively enacted at date of the separate statement of financial position. Management assesses on an ongoing basis its position in income tax returns regarding situations in which tax laws are subject to interpretations.

***Deferred tax***
Deferred tax is provisioned in its entirety, by the liability method, on the temporary differences that arise between the tax bases of assets and liabilities and their respective values shown in the separate financial statements and that are expected to be applicable when the deferred income tax asset is realized or deferred income tax liability is paid.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

A deferred tax asset is recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each separate statement of financial position. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax assets that have not been recognized in the separate financial statements are reassessed at the date of each separate statement of financial position.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are considered as a net package (the lease) for deferred tax recognition purposes.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**J. Provisions**

***General provision***
A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenses expected to be required to settle the obligation. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as 'borrowing costs' in the separate statement of profit or loss and other comprehensive income.

A contingent liability is disclosed when its existence will be confirmed only by the occurrence or non-occurrence of one or more future events or when the amount of the obligation cannot be measured reliably. The Company shall not recognized contingent assets. A contingent asset is disclosed where an inflow of economic benefits is probable (notes 19 and 20).

***Provision for environmental rehabilitation***
The Company recognizes a provision for environmental rehabilitation and mine closure, which represents its legal obligation to restore the site at the end of its activities. At initial recognition, the liability measured by discounting estimates of future cash flows to their present value is simultaneously charged to 'property, plant and equipment' in the separate statement of financial position.

Subsequently, the liability increases in each period to reflect the passage of time (recognized as a borrowing cost) and, in addition, the capitalized cost is depreciated over the useful life of the related asset. The Company recognizes any resulting gain or loss upon settlement of the obligation. If the carrying amount of the liability and the related asset is increased or decreased as a result of a revaluation, the increase or decrease is recognized in accordance with IAS 16 *Property, Plant and Equipment*. An impairment loss and, therefore, the reduction of the carrying amount of the related asset exceeding its recoverable amount is recognized immediately in the separate statement of profit or loss and other comprehensive income.

If a revaluation results in an increase to the existing provision and, consequently, the carrying amount of the related asset is increased, the Company assesses whether such increase corresponds to an indication that the asset may be impaired. If so, the Company performs impairment tests, in accordance with IAS 36 *Impairment of Assets* (notes 3.K and 20).

**K. Impairment of financial assets**

***i. Non-derivative financial assets***

***Financial instruments and contract assets***
The Company recognizes the loss allowance for:

- Financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, which are measured as 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting period; and



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

- Other debt instruments and cash at bank for which credit risk—i.e., the risk of default occurring over the estimated useful life of the financial instrument—has not increased significantly since initial recognition.

Loss allowances for trade accounts receivable and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether there has been a significant increase in credit risk since initial recognition and determining whether the recognition of lifetime ECLs is required, the Company considers reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, as well as qualitative or quantitative assessments.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay in full its credit obligations to the Company, without recourse by the Company to actions—e.g., realizing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period to consider when measuring ECLs is the maximum contractual period over which the Company is exposed to credit risk.

***Measurement of ECLs***
ECLs are a probability-weighted estimate of credit losses. They are measured as the present value of all cash shortfalls—i.e., the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

***Credit-impaired financial assets***
At the end of each reporting period, the Company assesses whether financial assets measured at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the expected future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

***Write-off***
The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

***Impairment of financial assets***
The Company assesses, at the end of each reporting period, whether there is objective evidence of impairment of a financial asset or group of financial assets measured at amortized cost. A financial asset or group of financial assets measured at amortized cost is impaired, and consequently incurred losses, if there is objective evidence of impairment as a result of one or more events that occurred subsequent to the initial recognition of the asset (loss event), and if such loss event (or events) has an impact on the expected future cash flows of the financial asset (or group of financial assets measured at amortized cost) that can be estimated reliably.

Evidence that a financial asset is credit-impaired includes observable date of the following events: significant financial difficulty of the issuer or borrower; a breach of contract, such as a default or delinquency in interest or principal payments; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, such as economic conditions that correlate with defaults.

For loans and accounts receivable, a credit loss is the present value of the difference between an asset's carrying amount and the cash flows that the Company expects to receive (excluding credit losses not incurred) discounted at the original effective interest rate. The asset's carrying amount is reduced and the credit loss is recognized in the separate statement of profit or loss and other comprehensive income.

If, in a further period, the impairment loss decreases and such decrease can be related objectively to the occurrence of an event subsequent to impairment recognition—e.g., improvement in the credit rating of a borrower—, the reversal of the previously recognized impairment is recognized in the separate statement of profit or loss and other comprehensive income. The Company assesses on an individual basis whether there is objective evidence that accounts receivable may be impaired. Likewise, the Company assesses on a collective basis whether there is objective evidence that accounts receivable may be impaired, using information about past credit loss experience in accounts receivable with similar credit risk characteristics. It allows to reasonably estimate the loss allowance for accounts receivable considering the customer characteristics and the accounting requirements of IAS 39. The latter, in order to adequately hedge the risk of loss on accounts receivable in accordance with Peruvian market conditions.

***Impairment of non-financial assets***
Non-financial assets with indefinite useful life that are not amortized are subject to annual impairment tests. Depreciated or amortized assets are subject to impairment tests whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of sale and its value in use. The Company applies an impairment test to the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets—i.e., a cash-generating unit (CGU).



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. That reduction is an impairment loss. Any impairment loss is recognized in the separate statement of profit or loss and other comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**L. Fair value of financial instruments**
The fair value of a financial instrument traded in an active market—e.g., forward exchange contract—is based on quoted prices at the date of the separate statement of financial position.

The quoted price used for financial assets held by the Company is the bid price and for financial liabilities, the ask price.

The fair value of a financial instrument not traded in an active market is based on adequate valuation techniques. Valuation techniques include using: i) recent arm's length transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same; ii) discounted cash flow analysis; and iii) option pricing models.

**M. Employee benefits**

***Employees' profit sharing***
The Company recognizes a liability when an employee has rendered the service and an expense when the entity consumes the economic benefit arising from the service. Employees' profit sharing is equivalent to 8% of tax base determined according to the existing Income Tax Law. Employee's profit sharing is recognized as an item of production cost, intangibles assets and selling and administrative expenses (note 18).

***Termination benefits***
Termination benefits are recognized in profit or loss when paid—i.e., when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits (note 18).

***Legal bonuses***
The Company determines the expense for legal bonuses and its related liability on the basis of current Peruvian laws. Legal bonuses correspond to 2 annual remunerations that are paid in July and December annually (note 18).

***Severance payment***
Severance payment of the Company's personnel corresponds to employees' indemnities, according to current laws, which shall be deposited in April and November annually in bank accounts designated by employees. Severance payment of the personnel is equivalent to 50% of a remuneration in force at the deposit date. The Company has no obligation to make any additional payments once it has made the annual deposits of funds to which the employee is entitled (note 18).

***Holidays***
Personnel's annual holidays are recognized on an accrual basis. The provision for estimated liabilities corresponding to personnel's annual holidays, resulting from the service rendered by an employee, is recorded on the date of the separate statement of financial position (note 18).

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**N. Impairment losses**
When events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, management reviews the carrying amount of the asset. If after the impairment test, the carrying amount exceeds its recoverable amount, an impairment loss is recognized in the separate statement of profit or loss and other comprehensive income. The recoverable amount is estimated for each asset or, if not possible, for each cash-generating unit (CGU).

The recoverable amount of a long-lived asset or a CGU is the higher of its fair value less costs to sell and its value in use. Fair value less costs of disposal of a long-lived asset or a CGU is the amount that the Company expects to obtain from the disposal of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or a CGU.

Impairment tests made by the Company, when appropriate, consider the CGU's value in use (a CGU is the smallest identifiable group of assets that generates cash inflow). Value in use is based on the estimated future cash flows discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset at the date of the separate financial statements. Any impairment loss of an asset related to continued operations is recognized in the separate statement of profit or loss and other comprehensive income in 'expenses' to which the credit-impaired asset belongs.

On the other hand, the Company assesses at the end of each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the separate statement of profit or loss and other comprehensive income.

IFRS 6 *Exploration for and Evaluation of Mineral Resources* introduces an alternative impairment test for exploration and evaluation expenses recognized as assets, which differs from the requirements of IAS 36 *Impairment of Assets.* IFRS 6 requires entities to recognize exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. The following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive cost on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In any such case, the Company shall perform an impairment test in accordance with IAS 36 *Impairment of Assets.*

**O. Revenue recognition**
The Company measures revenue at the fair value of the consideration received or receivable in exchange for the sale of mineral during the normal course of business. Revenue is presented net of sales taxes, reductions and discounts arising from amendments to the mining law. The Company recognizes revenue when it transfers all risks and rewards of ownership of the asset; it is probable that the economic benefits associated with the transaction will flow to the Company; the amount of revenue can be reliably measured; and the transaction meets the specific criteria for each of the Company's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company identified the following performance obligations: a) sale of mineral – gold bullion and b) laboratory services (note 28). The following specific criteria shall be met in order to recognize revenue:

***Sale of mineral – Gold bullion***
A contract for sale of gold bullion establishes the quoted price based on the international gold price and the short period of time between the commencement date of the contract and the satisfaction of the performance obligation (days, less than 1 week). Revenue from sale of gold bullion is recognized when control is transferred—i.e., at the date of loading—, based on provisional settlements that are subject to final settlements. The final adjustments resulting from final settlements are recorded when they are made. Final settlements are determined based on the quoted price in the international market over a contractually pre-established period. The outstanding provisional settlements at the end of each reporting period are upgraded using the gold price that would be used for final settlements, provided that the amount to be upgraded is significant.

***Laboratory services***
The Company allocates a portion of the transaction price to the laboratory services. Such services are rendered after transferring the control of gold bullion to a customer. Revenue is recognized over time as the services are rendered to the customer. According to the Company's assessment, this performance obligation does not represent a significant amount of revenue; therefore, revenue is not disaggregated.

***Interest***
Interest revenue is recognized on a time proportion basis using the effective interest method. Other income is recognized on an accrual basis (note 33).

**P. Recognition of costs and expenses**
The cost of sales corresponding to the production costs of gold bullion traded by the Company is recorded when gold bullion is delivered at the same time that revenue from such sale is recognized.

Other costs and expenses are recognized on an accrual basis, regardless of when they are incurred, and are recorded in the periods to which they relate (notes from 29 to 33).

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**Q. Contingencies**
A contingent liability is not recognized in the separate financial statements, but it is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the separate financial statements, but it is disclosed where an inflow of resources embodying economic benefits is probable (note 37).

**R. Issued capital**
Ordinary shares are classified as equity and measured at face value. Incremental costs directly attributable to issuing new shares or options are presented in equity as a deduction from the proceeds, net of taxes (note 23).

**S. Dividend distribution**
Dividend distribution to stockholders is recognized as a liability in the separate financial statements when dividends are approved by the Company's stockholders (note 25).

**T. Finance income and borrowing costs**
Finance income and borrowing costs are recorded in profit or loss of the periods to which they relate, and are recognized on an accrual basis, regardless of when they are received or paid (note 33).

**U. Mining royalties**
Mining royalties are administrative compensations that the Company shall pay to the Peruvian government for extracting metallic and non-metallic mineral resources from its mining concessions. Royalties are determined on a quarterly basis and are calculated using the operating profit, which is determined in accordance with the Peruvian GAAP. A progressive rate is applied to the operating profit depending on the operating margin. The amount payable is the highest amount obtained from comparing the application of the rate with 1% of sales.

**V. Earnings per share**
Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary stockholders by the weighted average number of outstanding ordinary shares during the period. As of December 31, 2021 and 2020, the Company does not have dilutive financial instruments; therefore, basic and diluted earnings per share are the same (note 34).

**W. Foreign currency transactions and balances**
A foreign currency transaction is a transaction that is denominated or requires settlement in a functional currency. A foreign currency transaction is recorded in the functional currency at the exchange rate ruling at the transaction date or the measurement date when items are remeasured.

Exchange gains or losses from paying such transactions and from translating monetary items stated in foreign currency at exchange rates ruling at the end of the reporting period are recognized in the separate statement of profit or loss and other comprehensive income, except when they are deferred to other comprehensive income for a transaction that qualifies as a hedged item in a cash flow hedge (note 5.A).



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**X. New accounting pronouncements**

***Current accounting pronouncements***
The application of the following amendments to IFRSs is mandatory for the first time for annual periods beginning on or after January 1, 2021.

| Effective date | New IFRSs, amendments and interpretations |
|---|---|
| June 1, 2020 | Amendments to IFRS 16 - Lease concessions related to COVID-19. Addresses reduction in payments of leases due on or before June 30,2021 |
| January 1, 2021 | *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of the Reference Interest Rate Phase 2* |

The Company adopted these amendments, which had no significant effect on the separate financial statements as of December 31, 2021.

**New accounting pronouncements issued but not yet adopted**
The following standards are applicable to annual periods beginning on or after January 1, 2021, and have not been applied in preparing these separate financial statements. The Company does not plan to early adopt the applicable standards.

| Effective date | New IFRSs, amendments and interpretations |
|---|---|
| April 1, 2021 | Amendments to IFRS 16 - Lease concessions related to COVID-19 beyond June 30, 2021. Addresses reduction in maturing lease payments on or before June 30, 2022 |
| January 1, 2022 | Amendments to IAS 37 - Onerous Contracts - Costs of Compliance with a Contract |
| | Annual improvements to IFRS 2018 -2020 |
| | Amendments to IAS 16 - Property, Plant and Equipment - Income before intended use |
| | *Amendments to IFRS 3 - Reference to the Conceptual Framework* |
| January 1, 2023 | *Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current* |
| | *IFRS 17 Insurance Contracts and its amendments* |
| | *Amendments to IAS 1 and Practice Statement 2 "Preparation of Judgments Related to Materiality" - Accounting Policy Disclosures* |
| | *Amendments to IAS 8 - Definition of accounting estimates* |
| | *Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction* |
| Optional Adoption/ Effective Date deferred indefinitely | *Amendments to IFRS 10 and IAS 28 - Sale or Contributions of Assets between an Investor and its Associate or Joint Venture* |

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Management expects that these accounting pronouncements issued not yet in force will not have a significant impact on the Company's separate financial statements.

## 4. COVID-19

Through Supreme Decree No. 044-2020-PCM dated March 15, 2020, the State of National Emergency was declared in Peru due to the outbreak of the coronavirus (COVID-19) in the country. As COVID-19 was classified as a pandemic by the World Health Organization, having spread to more than one hundred countries simultaneously, the Peruvian State took as a measure a period of mandatory social immobilization until June 30, 2020.

Subsequently, Supreme Decrees were issued extending the state of emergency as follows:

- Supreme Decree No. 184-2020-PCM, by which the State of National Emergency was extended for a period of 31 calendar days that ended on December 31, 2020.
- Supreme Decree No. 174-2021-PCM dated November 28, 2021, through which the state of emergency is extended until December 31, 2021.
- Supreme Decree No. 025-2021-PCM dated August 13, 2021, which extends the state of emergency until March 1, 2022.

In compliance with the provisions of the Peruvian government and for the reactivation of operations, the Company's Board of Directors approved in May 2020: (i) the guidelines for monitoring the health of workers at risk of exposure to COVID-19 and (ii) the Sanitary Operation Protocols before COVID-19 that establishes the procedures for carrying out medical tests. The adoption of these measures has increased the Company's costs, mainly due to the acquisition of masks, molecular tests, antigen tests, medical laboratory expenses, personnel transportation, accommodation, food, cleaning and disinfection items and the construction of new camps in order to maintain the distancing of personnel in the mining unit according to protocol. Likewise, the Company has made various donations related to support for the pandemic to various institutions in said period.

The Company has adopted all the measures it has considered necessary and convenient for the operational continuity, ensuring the safety and health protection of its employees and customers in accordance with the measures ordered by the competent authorities, for the control of COVID-19.

The Company carried out the evaluation of the impacts on the financial statements, related to the response actions to the COVID-19 pandemic executed during the years 2021 and 2020, not identifying significant effects, in accordance with the provisions of the International Reporting Standards. Financial and its corresponding tax impact.

The Peruvian government also implemented a guarantee program through loans granted by companies in the financial system, with the aim of assuring the payment chain. The Company has not applied for any benefit (subsidy) granted by the Peruvian State during the state of emergency.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 5. Financial Risk Management

The Company's activities expose itself to a variety of financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Company's risk management plan aims to reduce the potential adverse effects on its financial performance. Major aspects in risk management are the following:

### A. Exchange rate risk

Main foreign currency transactions are denominated in U.S. dollars and are related to trade accounts receivable and payable, and to the Company's financing activities, which determine the assets and liabilities in such currency. The Company is exposed to the risk of changes in the U.S. dollar in relation to the sol. Management mitigates the exchange rate risk by entering to hedging transactions with derivative instruments.

Balances in foreign currency as of December 31 are summarized as follows:

| *In thousands of soles* | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 5,932 | 25,114 |
| Other accounts receivable | 2,067 | 13,825 |
| | **7,999** | **38,939** |
| **Liabilities** | | |
| Trade accounts payable | (29,642) | (39,331) |
| Other accounts payable | (115,272) | (75,425) |
| | **(144,915)** | **(114,755)** |
| **Net liabilities** | **(136,915)** | **(75,816)** |

As of December 31, 2021, the exchange rate used by the Company to record foreign currency balances, as published by the Banking, Insurance and Private Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS), was S/ 0.250 per S/ 1 for assets and liabilities (2020: S/ 0.276 per S/ 1 for assets and liabilities).

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**B. Interest rate risk**
Interest rate risk arises from long-term debts. Variable-rate debts expose the Company to interest rate risk on cash flows. Fixed-rate debts expose the Company to interest rate risk on fair value of liabilities.

The Company does not have a formal policy to determine the exposure amount that shall be at fixed or variable rate. However, when assuming new loans or debts, management has made judgments to determine whether a fixed or variable rate would be more favorable to the Company during the expected period until maturity.

As of December 31, 2021 and 2020, fixed and variable rate instruments held by the Company are the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Fixed-rate instruments** | | | |
| Time deposits | *6* | 105,000 | 55,379 |
| Other financial liabilities | | (24,996) | (30,041) |
| | | **80,004** | **25,338** |

**C. Price risk**
The Company is exposed to the risk of changes in the gold price. That is, cash flows from the sale of gold bullion are adversely exposed to changes in the market price of such metal. Likewise, the effects of changes in the market price of such metals increase the risk of potential capital requirements from stockholders to hedge cash needs.

The Company manages its price risk mainly through the subscription of derivative contracts in order to improve its gold price risk position (commodity), considering various market variables. These derivative instruments are intended to set future prices to ensure the flows from the Company's sales and are generally not designated as accounting hedges.

If, as of December 31, 2021 and 2020, the price of gold bullion would have been 10% higher/lower and all other variables would have remained constant, the profit before tax would have been as follows:

| *In thousands of U.S. dollars* | Increase/decrease in price | Effects on profit (loss) before tax |
|---|---|---|
| 2021 | 10% | 53,926 |
| | (10%) | (53,926) |
| 2020 | 10% | 47,519 |
| | (10%) | (47,519) |

**D. Credit risk**
Credit risk is the risk that arises from the borrower's inability to meet its obligations upon maturity. In management's opinion, the Company is not exposed to credit risk because its sales are concentrated on only 1 customer, Bank of Nova Scotia, which entered to transactions with the Company until April 2020. From May, such customer is Asahi Refining Canada Ltd., a tier 1 foreign company.

The Company places its liquidity surplus in tier 1 financial institutions, with at least an A rating, establishes conservative credit policies, and constantly evaluates conditions existing in the market where it operates.

Consequently, the Company does not foresee any significant loss arising from this risk. Further information on credit risk is included in note 7.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**E. Liquidity risk**
Liquidity risk management implies maintaining sufficient cash and the availability of loans through an adequate amount of committed credit facilities. Due to the dynamic nature of its operating and investing activities, the Company seeks to maintain flexibility in its loans through the availability of committed credit facilities.

The following table shows an analysis of the Company's financial liabilities classified upon maturity, considering the remaining contractual maturities at the reporting date:

| *In thousands of U.S. dollars* | Carrying amount | Contractual cash flows | Less than 1 year | 1-2 years | More than 2 years |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Other financial liabilities | 24,996 | 25,359 | 17,365 | 7,994 | - |
| Other accounts payable | 38,487 | 38,487 | 38,487 | - | - |
| Employee benefits | 17,890 | 17,915 | 17,915 | - | - |
| Lease liabilities | 7,188 | 7,351 | 3,044 | 1,407 | 2,900 |
| Trade accounts payable | 21,521 | 21,521 | 21,521 | - | - |
| | **110,082** | **110,633** | **98,332** | **9,401** | **2,900** |
| **2020** | | | | | |
| Other financial liabilities | 30,042 | 30,736 | 18,439 | 4,303 | 7,994 |
| Other accounts payable | 32,091 | 32,091 | 32,091 | - | - |
| Employee benefits | 14,440 | 14,440 | 14,440 | - | - |
| Lease liabilities | 6,022 | 6,252 | 2,999 | 3,253 | - |
| Derivatite instruments | 1,862 | 1,862 | 1,862 | - | - |
| Trade accounts payable | 23,623 | 23,623 | 23,623 | - | - |
| | **108,080** | **109,004** | **93,454** | **7,556** | **7,994** |

Management is responsible for managing the risk associated with the amounts included in each of the aforementioned items, maintaining at all times sufficient credit facilities and financing its working capital with cash flows from operating activities.

**F. Capital management**
The Company's objective in managing capital is to safeguard its ability to continue as a going concern and provide the expected returns to its stockholders and respective benefits to stakeholders, as well as to maintain an optimum structure to reduce capital cost.

The Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce its debt in order to maintain or adjust its capital structure.

The Company's strategy is to maintain a debt-to-equity ratio of less than 2. As of December 31, 2021 and 2020, the debt-to-equity ratios are of less than 2 due to a higher cash concentration in both periods. The latter, to meet the payment of dividends, expense allowance for Board of Directors, employees' profit sharing and other current financial liabilities.

The Company determines its debt-to-equity ratio or debt ratio considering trade accounts payable, other accounts payable, employee benefits, provisions, other financial liabilities, provision for environmental rehabilitation and deferred liabilities, divided by total equity.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

As of December 31, 2021 and 2020, the debt-to-equity ratios were as follows:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Trade accounts payable | 15 | 21,521 | 23,623 |
| Other accounts payable | 16 | 39,554 | 31,066 |
| Derivative instruments | 21 | - | 1,862 |
| Other financial liabilities | 17 | 24,996 | 30,042 |
| Lease liabilities | 13v. | 7,188 | 6,022 |
| Employee benefits | 18 | 17,890 | 14,440 |
| Provisions | 19 | 571 | 1,108 |
| Provision for environmental rehabilitation | 20 | 17,808 | 21,371 |
| Deferred tax liabilities | 22 | 9,122 | 11,731 |
| Less: Cash and cash equivalents | 6 | (155,590) | (101,018) |
| **Net debt** | | **(16,940)** | **40,247** |
| **Total equity** | | **379,670** | **330,127** |
| **Debt-to-equity ratio** | | **-** | **0.12** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

**G. Accounting classification and fair value**
The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels of the fair value hierarchy.

| | | Carrying amount | | | | Fair value | |
|---|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | *Note* | Derivative instruments at fair value with changes in results | Financial assets at cost amortized | Other financial liabilities | Total | Level 2 | Total |
| **As of December 31, 2021** | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Derivative instruments | 8 | 20 | - | - | 20 | 20 | 20 |
| | | **20** | **-** | **-** | **20** | **20** | **20** |
| **Financial liabilities measured at fair value** | | | | | | | |
| Derivative instruments | 21 | - | - | - | - | - | - |
| | | **-** | **-** | **-** | **-** | **-** | **-** |
| **Financial assets not measured at fair value** | | | | | | | |
| Cash and cash equivalents | 6 | - | 155,590 | - | 155,590 | - | - |
| Trade accounts receivable | 7 | - | 2,547 | - | 2,547 | - | - |
| Other accounts receivable (a) | 8 | - | 4,130 | - | 4,130 | - | - |
| | | **-** | **162,267** | **-** | **162,267** | **-** | **-** |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Other financial liabilities | 17 | - | - | 24,996 | 24,996 | 25,359 | 25,359 |
| Trade accounts payable | 15 | - | - | 21,521 | 21,521 | - | - |
| Other accounts payable (b) | 16 | - | - | 29,832 | 29,832 | - | - |
| | | **-** | - | **76,349** | **76,349** | **25,359** | **25,359** |

(a) Excluding tax benefits and restricted funds.

(b) Excluding statutory liabilities, fringe benefits and advances.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

| | | Carrying amount | | | | Fair value | |
|---|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | **Note** | **Derivative instruments at fair value with changes in results** | **Financial assets at cost amortized** | **Other financial liabilities** | **Total** | **Level 2** | **Total** |
| **As of December 31, 2020** | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | |
| Derivative instruments | 8 | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| **Financial liabilities measured at fair value** | | | | | | | |
| Derivative instruments | 21 | 1,862 | - | - | 1,862 | 1,862 | 1,862 |
| | | **1,862** | - | - | **1,862** | **1,862** | **1,862** |
| **Financial assets not measured at fair value** | | | | | | | |
| Cash and cash equivalents | 6 | - | 101,018 | - | 101,018 | - | - |
| Trade accounts receivable | 7 | - | 3,528 | - | 3,528 | - | - |
| Other accounts receivable (a) | 8 | - | 4,605 | - | 4,605 | - | - |
| | | - | **109,151** | - | **109,151** | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | |
| Other financial liabilities | 16 | - | - | 30,042 | 30,042 | 30,736 | 30,736 |
| Trade accounts payable | 15 | - | - | 23,623 | 23,623 | - | - |
| Other accounts payable (b) | 17 | - | - | 31,066 | 31,066 | - | - |
| | | - | - | **84,731** | **84,731** | **30,736** | **30,736** |

(a) Excluding tax benefits and restricted funds.

(b) Excluding statutory liabilities, fringe benefits and advances.

The Company has not disclosed the fair value of short-term financial instruments—e.g., accounts payable or receivable— because the carrying amount is an approximation of fair value.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 6. Cash and Cash Equivalents

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Cash on hand and petty cash fund | | 12 | 9 |
| Current accounts | | 50,578 | 45,630 |
| Time deposits | 5.B | 105,000 | 55,379 |
| | 5.G | **155,590** | **101,018** |

***See accounting policy in notes 3.A and 3.B.***

As of December 31, 2021, the Company has checking accounts at tier 1 local and foreign financial institutions in local and foreign currency for S/ 5,885 thousand and US$ 49,106 thousand, respectively (2020: S/ 20,085 thousand and US$ 40,088 thousand, respectively). They have free withdrawal option and accrue interest at market interest rates.

Time deposits have original maturities of less than 90 days and contain an extension option upon maturity date. As of December 31, 2021, time deposits were stated in US$ 105,000 thousand. Such time deposits accrued interest at effective interest rates of 0.10% in soles and 0.50% in U.S. dollars, respectively. As of December 31, 2020, time deposits were stated in S/ 5,000 thousand and US$ 54,000 thousand. Such time deposits accrued interest at effective interest rates of 0.10% in soles, and between 0.33% in U.S. dollars.

According to the information provided by Apoyo & Asociados Internacionales S.A.C., the quality rating of the financial institutions in which the Company deposits its cash is as follows:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| **Bank deposits** | | |
| A+ | 155,387 | 100,797 |
| A | 191 | 212 |
| | **155,578** | **101,009** |

Impairment loss on cash and cash equivalents was measured at an amount equal to 12-month ECLs and reflects the short-term maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external ratings of the borrowers. After applying IFRS 9, the Company did not recognize any loss allowance as of December 31, 2021 and 2020.

## 7. Trade Accounts Receivable

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Invoices receivable – overseas | 28 | 2,547 | 3,528 |
| **Total trade accounts receivable** | | **2,547** | **3,528** |

***See accounting policy in notes 3.B and 3.K.***

Trade accounts receivable have current maturity, do not have specific collaterals, do not accrue interest, and do not have repayment or refund obligations with customers.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

According to management's assessment, an account receivable is considered impaired when it is classified as an impairment loss on accounts receivable and is presented in 'loss allowance for accounts receivable.'

As of December 31, 2021, the embedded derivative from changes in the quoted prices established in the contracts for sale of gold amounts to US$ 63 thousand (2020: US$ 22 thousand).

The credit quality of accounts receivable has been assessed per borrower based on the historical information that reflects default rates as follows:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| **Aging of accounts receivable** | | |
| Current | 2,547 | 3,528 |
| **Classification of borrowers** | | |
| Group 2 | 2,547 | 3,528 |

Group 2: existing customers (more than 6 months) without payment defaults.

In management's opinion, the Company is not required to recognize a loss allowance for accounts receivable as of December 31, 2021 and 2020. It also considers that it adequately hedges the credit risk of these items as of those dates (note 5.D).

## 8. Other Accounts Receivable

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Sales tax (a) | | 75 | 492 |
| Tax claims (b) | | - | 1,240 |
| Derivative instruments | *5.G* | 20 | - |
| Advances to contractors | | 71 | - |
| Accounts receivable from personnel | | 624 | 469 |
| Other accounts receivable from contractors | | 470 | 444 |
| Sale of materials to artisanal miners | | 337 | 294 |
| Insurance claims (d) | | 1,505 | - |
| Works for taxes scheme – Regional Government of La Libertad (c) | | 514 | 795 |
| Accounts receivable from contractors (d) | | 234 | 823 |
| Others | | 300 | 48 |
| | | **4,150** | **4,605** |

***See accounting policy in notes 3.B and 3.K.***

(a) It corresponds to the sales tax paid by the Company from the purchase of goods and services. Such sales tax will be recovered through the tax on forward sales. Additionally, for exporters, the tax credit can be automatically offset with the tax debt from down payments and tax regularization payments, or with any other tax charged to the Company that represents revenue for the Public Treasury. If such recovery is not possible, the credit balance will be reimbursed through negotiable instruments (credit notes), non-negotiable instruments (checks) and/or deposits in checking or savings accounts. The credit balance payment or reimbursement shall have a percentage limit equivalent to the sales tax rate, including municipal promotion tax, on the Free of Board (FOB) value under export declarations duly numbered supporting exports shipped over the period.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(b) It corresponds to claims to the Tax Authorities regarding a reimbursement of the credit balance of the exporter for US$ 1,021 thousand the month of December 2020 and improper payment of the special mining tax for US$ 219 thousand. These amounts were recovered through non-negotiable instruments (checks) during January and february 2021.

(c) Works for taxes – La Libertad Region.
They correspond to the disbursements made for the financing and construction of public infrastructure works, which constitute advance from income tax.

In 2021, the Pre-investment studies were completed, and the Investment Agreement was signed between Minera Poderosa and the Provincial Municipality of Pataz, for the execution of the project to improve and expand the Potable Water and Sanitation service in 5 locations in the District of Tayabamba. The approval of the Technical File and the the works will be carried out during the first quarter of 2022. The total amount of the investment of the Project amounts to approximately US$ 5,003 thousand, this being the project with the largest investment in Works for Taxes that is financed by Poderosa with a great social impact.

Within the commitments assumed with the Patacina population, with the aim of closing infrastructure gaps and promoting a better quality of life for its citizens, the Potable Water and Sewerage Pre-investment studies were initiated for the district of Pataz with an approximate investment of US$ 2,501 thousand.

(d) Corresponds to the claims made to the Insurance Company for unforeseen events. According to the Management's evaluation, the claimed events are covered in the contractual conditions agreed with the insurance and are highly likely to be recovered.

In the application of IFRS 9, the Company recognized an impairment allowance as of December 31, 2021 for US$ 280 thousand (US$ 409 thousand as of December 31, 2020).

Movement in the loss allowance is the following:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Balance as of December 31 | | 2,920 | 3,007 |
| Provisions made during the year | *31* | 281 | 409 |
| Recovery of accounts receivable | | (43) | (225) |
| Effect of exchange rate | | (288) | (271) |
| **Balance as of December 31** | | **2,870** | **2,920** |

## 9. Inventories

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Finished goods | *29* | 7,792 | 7,107 |
| Work-in-progress | *29* | 203 | 198 |
| Supplies | | 6,829 | 6,388 |
| Goods in transit | | 854 | 351 |
| Effect of exchange rates | | (707) | (224) |
| | | **14,971** | **13,820** |

***See accounting policy in note 3.C.***
As of December 31, 2021, finished goods comprise 7,667 ounces of gold with a market price of US$ 1,805 per ounce (2020: 7,514 ounces of gold with a market price of US$ 1,852 per ounce).

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Work-in-progress comprises the gold cyanide process as shown in the monthly metallurgical balance issued by the Plant department. Work-in progress does not include stockpiles since they are primary minerals without the exact number of ounces of ore that can be obtained.

Various supplies comprise replacement parts of mining equipment, fuels, lubricants, explosives, drilling products and electrical materials. Goods in transit comprise acquisition of filter fabric, equipment, rails and replacement parts.

In management's opinion, the Company is not required to recognize an allowance for inventory obsolescence to hedge the obsolescence risk at the reporting date.

## 10. Prepaid Expenses

This caption comprises the following:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Advance of countervailing duties (a) | 6,908 | 7,077 |
| Licenses | 135 | 208 |
| Prepaid leases | 246 | 101 |
| Prepaid insurance contracts (b) | 354 | 3,052 |
| Premiums paid for options | - | 49 |
| Other expenses | 351 | 525 |
| **Total prepaid expenses** | **7,994** | **11,012** |
| **Current portion** | **3,346** | **5,380** |
| **Non-current portion (a)** | **4,648** | **5,632** |

(a) It corresponds to the contract, dated June 2, 2011, regarding changes in the countervailing duties (royalties) in favor of the holder of a mining concession in which the Company is carrying out exploration activities. This contract establishes that, from the date the Company begins its exploitation activities in the concession, countervailing duties payable are reduced from 5% to 1.5%. The Company shall pay the holder US$ 5,000 thousand, as consideration: i) an initial installment of US$ 200 thousand; and ii) the remaining balance in 120 monthly installments of US$ 40 thousand. The obligation of US$ 5,000 thousand was completed in May 2021.

The total amount of this contract, measured at present value at the execution date, has been recognized as a long-term prepaid expense in the separate statement of financial position and will be amortized against the royalties generated during the concession's exploitation phase.

(b) The renewal of the property insurance agrement with Rimac Internacional Compañía de Seguros y Reaseguros was signed on October 30, 2020 and expires on January 31, 2022, will be renewed during the first quarter of 2022.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 11. Investments in Subsidiaries and Associates

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | Main business | Percentage Equity Participation (%) | 2021 | 2020 |
|---|---|---|---|---|
| **Associates** | | | | |
| Sociedad Minera de Responsabilidad Limitada San Francisco | Holder of San Francisco mining concession | 50.00% | 450 | 450 |
| Sociedad Minera de Responsabilidad Limitada El Miski | Holder of El Miski mining concession | 50.00% | 450 | 450 |
| **Subsidiaries** | | | | |
| Sociedad Eléctrica Lavasen S.A.C. | Power supply | 99.00% | 1 | 1 |
| EEA S.A. | Lease of property | 99.99% | 6,750 | 6,750 |
| Effect of exchange rate | | | (1,283) | (626) |
| | | | **6,368** | **7,025** |

***See accounting policy in note 3.D.***

As of December 31, 2021 and 2020, the company Sociedad Eléctrica Lavasen S.A.C. holds 1,000 shares with a face value of S/ 1.00 per share. The subsidiary was incorporated on June 28, 2013 in Peru. Its legal domicile is located at Avenida Los Faisanes Mza. G Lote 16 Urbanización La Campiña, Chorrillos, Lima, Peru.

As of December 31, 2021, EEA S.A., engaged in the lease of property, has 5,070,000 shares with a face value of S/ 1.00 per share. The subsidiary was incorporated on September 18, 2012 in Peru. Its legal domicile is located at Av. Los Faisanes Mza. G Lote 16A1 FND. San Sebastian Zona II (height official school PNP Chorrillos).

The Company holds 99.99% of shares of its capital. Also, the Company controls such entity since June 11, 2019.

As of December 31, 2021 and 2020, investments in subsidiaries and associates are measured at cost and there is no indication of impairment.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 12. Property, Plant and Equipment

***See accounting policy in note 3.E.***
Movement in the cost and accumulated depreciation of items of property, plant and equipment for the years ended December 31, 2021 and 2020 is the following:

| *In thousands of U.S. dollars* | Land | Buildings, constructions and premises | Machinery and equipment | Vehicles | Furniture and fixtures | Various equipment | Replacement parts | Work-in-progress | Environmental rehabilitation upon mine closure | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2021** | | | | | | | | | | |
| **Costs** | | | | | | | | | | |
| Balance as of January 1, 2021 | 10,281 | 107,908 | 71,357 | 544 | 2,307 | 7,835 | 3,564 | 53,306 | 25,689 | 282,791 |
| Additions | - | - | - | - | - | - | 12,194 | 22,976 | (539) | 34,631 |
| Disposals | - | (63) | (2,242) | (426) | (72) | (177) | - | - | - | (2,980) |
| Transfers (a} | 188 | 24,932 | 8,590 | - | 839 | 2,228 | (9,258) | (28,115) | - | (596) |
| Effect of exchange rate | (963) | (13,187) | (5,211) | 69 | (232) | (660) | (307) | (1,913) | (2,391) | (24,795) |
| **Balance as of December 31, 2021** | **9,506** | **119,590** | **72,494** | **187** | **2,842** | **9,226** | **6,193** | **46,254** | **22,759** | **289,051** |
| **Accumulated depreciation** | | | | | | | | | | |
| Balance as of January 1, 2021 | **-** | **(42,233)** | **(41,030)** | **(345)** | **(798)** | **(3,831)** | **-** | **-** | **(10,041)** | **(98,278)** |
| Additions | - | (6,016) | (3,935) | (28) | (198) | (1,008) | - | - | (2,423) | (13,608) |
| Disposals | - | 59 | 1,957 | 379 | 57 | 151 | - | - | - | 2,603 |
| Effect of exchange rate | - | 5,203 | 3,966 | (70) | 89 | 460 | - | - | 998 | 10,646 |
| **Balance as of December 31, 2021** | **-** | **(42,987)** | **(39,042)** | **(64)** | **(850)** | **(4,228)** | **-** | **-** | **(11,466)** | **(98,637)** |
| **Net carrying amount at the end of the year** | **9,506** | **76,603** | **33,452** | **123** | **1,992** | **4,998** | **6,193** | **46,254** | **11,293** | **190,414** |
| **Year 2020** | | | | | | | | | | |
| **Costs** | | | | | | | | | | |
| Balance as of January 1, 2020 | 10,898 | 107,181 | 72,230 | 1,079 | 1,555 | 7,170 | 1,352 | 54,982 | 13,741 | 270,188 |
| Additions | 325 | 9,593 | 1,718 | 30 | 944 | (1,111) | 9,189 | 15,809 | 13,112 | 49,609 |
| Disposals | - | (1,540) | (6,164) | (592) | (53) | (259) | - | - | - | (8,608) |
| Transfers | - | - | - | - | - | - | (6,877) | (14,690) | - | (21,567) |
| Effect of exchange rate | (942) | (7,326) | 3,573 | 27 | (139) | 2,035 | (100) | (2,795) | (1,164) | (6,831) |
| **Balance as of December 31, 2020** | **10,281** | **107,908** | **71,357** | **544** | **2,307** | **7,835** | **3,564** | **53,306** | **25,689** | **282,791** |
| **Accumulated depreciation** | | | | | | | | | | |
| Balance as of January 1, 2020 | - | (41,878) | (45,305) | (796) | (800) | (3,443) | - | - | (10,544) | (102,766) |
| Additions | - | (5,503) | (4,029) | (43) | (113) | (839) | - | - | (436) | (10,963) |
| Disposals | - | 1,038 | 5,251 | 530 | 47 | 239 | - | - | - | 7,105 |
| Others | - | - | - | - | - | - | - | - | 32 | 32 |
| **Effect of exchange rate** | - | 4,110 | 3,053 | (36) | 68 | 212 | - | - | 907 | 8,314 |
| **Balance as of December 31, 2020** | **-** | **(42,233)** | **(41,030)** | **(345)** | **(798)** | **(3,831)** | **-** | **-** | **(10,041)** | **(98,278)** |
| **Net carrying amount at the end of the year** | **10,281** | **65,675** | **30,327** | **199** | **1,509** | **4,004** | **3,564** | **53,306** | **15,648** | **184,513** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(a) Included transfers from leases for assets acquired through leasing for US$ 1,904 thousand (note 13) and transfer to intangible assets for US$ 593 thousand (note 14).

Depreciation charge for the years ended December 31, 2021 and 2020 was allocated as follows:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Separate statement of profit or loss and other comprehensive income** | | | |
| Cost of sales | *29* | 9,436 | 8,752 |
| Provision for environmental rehabilitation | *29* | 2,423 | 436 |
| Administrative expenses | *31* | 376 | 324 |
| | | **12,235** | **9,512** |
| **Separate statement of financial position** | | | |
| Intangible assets | | 1,286 | 1,359 |
| Work-in-progress | | 87 | 92 |
| | | **1,373** | **1,451** |
| | | **13,608** | **10,963** |

As of December 31, 2021 and 2020, Management carried out an evaluation of the indicators of impairment of its assets and the results of the tests as of those dates indicate that it is not required to record any loss due to impairment of assets with a long economic useful life.

The Company has tailings dams to dispose of the tailing pulp and filtered tailings in the Marañón and Santa María Production Units. They have been designed and constructed to the highest engineering standards and have the relevant authorizations for construction and operation granted by the competent authorities—i.e., the Ministry of Energy and Mines (MINEM). Likewise, the useful life of tailings dams is determined by using an equation that considers the engineering design and treatment capacity of the Marañón and Santa María Processing Plants (processing capacity of 800 TMD and 1,000 TMD, respectively).

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

As of December 31, 2021 and 2020, work-in-progress comprises the following:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Cativen I and II Hydroelectric Power Plant | 14,711 | 14,500 |
| Nimpana Hydroelectric Power Plant | 6,620 | 5,287 |
| Transmission Line 138Kv | 4,102 | 4,628 |
| Hydraulic Fill Plant | 2,851 | 2,615 |
| Implementation of offices in corporate premises | 1,665 | 0 |
| Installation of the TL Sub Station LPC - Chacparrosas Sub Station | 1,648 | 529 |
| Filtered tailings deposit in Quebrada Livias - Stage II | 856 | 588 |
| Construction of the new SMmaria Central Warehouse | 832 | 820 |
| Construction of workers' hotel No. 3 NV 3100 | 759 | 0 |
| Construction Hotel Workers No. 2 NV 3100 | 664 | 38 |
| Transmission line 60 kv SE Pampa Honda- LT 6050 | 660 | 14 |
| Prefabricated modular camps Camp.Obreros Nº4 - Cedro | 552 | 0 |
| Extension of electrical networks U.P. Holy Mary 2021 | 547 | 0 |
| Expansion of the Santa María Plant to 1000 TMSD | 536 | 5,983 |
| Modification of the EIA UP Marañón (New Components) | 453 | 442 |
| Revolcadero waste dump | 452 | 375 |
| Construction of the Chacparrosa Drinking Water Treatment Plant | 450 | 76 |
| Extension of electrical networks U.P. Cashew 2021 | 444 | 0 |
| Modular Prefabricated Worker Camps N°3 - Cedro | 443 | 0 |
| Prefabricated modular construction for workers Nº 05-hualanga | 385 | 0 |
| Temporary Dining Lv 3100 | 367 | 0 |
| Construction of Chacparrosa Compact Wastewater Treatment Plant | 362 | 90 |
| Automation of the Marañón Plant | 360 | 50 |
| Construction of Water Dam in Quebrada Poblano-SM | 332 | 332 |
| Temporary Hydraulic Fill Plant | 315 | 315 |
| Construction of Hualanga Tailings Deposit 2nd Stage | 290 | 125 |
| Prefabricated modular construction for workers Nº 01-Vijus | 285 | 0 |
| Infrastructure for teams LPC - SE Chacparrosas– | 277 | 0 |
| Perimetric fence installations 2021 | 276 | 0 |
| Construction trocha accesses ch nimpana | - | 2,982 |
| Chunturco dismantling tank | - | 1,229 |
| Construction of polvorin nv 2360 - sta maria | - | 952 |
| Construction of dining room and entertainment center nv.2260 sm | - | 672 |
| Employee n ° 4 hotel construction santa maria | - | 655 |
| Construction of prefabricated module workers 01 nv 2500 | - | 647 |
| Expansion of electrical networks u.p. santa maria 2020 | - | 597 |
| Revolcadero extraction tunnel | - | 593 |
| Lower amounts in US$ 300 thousand | 3,760 | 8,172 |
| | **46,254** | **53,306** |

As of December 31, 2021, the balance of US$ 14,690 thousand of works in progress transfers corresponds mainly to the projects: Cativen I and II Hydroelectric Power Plant, Nimpana Hydroelectric Power Plant, 138Kv Transmission Line, Hydraulic Filling Plant, Implementation of the offices in Corporate Premises, Installation of the LT Sub Station LPC - Sub Station Chacparrosas, Construction of workers' hotel No. 3 NV 3100 and Filtered tailings deposit in Quebrada Livias – Stage II.

The Cativen I and II Hydroelectric Project will be completed in the year 2025. The Project aims to achieve energy self-sufficiency, produce 43.45 MW and trade the surplus.

As of December 31, 2021, 'other minor projects' are ongoing projects that will be completed between years 2022 and 2023.

As of December 31, 2021, the Company has neither commitments to acquire items of property, plant and equipment nor onerous contracts with suppliers. The Company has insurance contracts that maintain the integrity of its fixed assets. Also, it does not have work-in-progress classified as qualifying assets.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 13. Leases

The Company has leases for land, property, machinery and equipment used in its activities. Leases generally have a term of 2 to 4 years, and contain an extension option at the end of the lease term. The Company has restrictions on transferring and subleasing a leased asset. Leases include fixed payments.

The Company also has certain leased assets with a lease term of less than 12 months and leases of various equipment—i.e., PCs and water dispensers—of low-value assets. The Company uses recognition exemptions for short-term leases and leases of low-value assets.

***See accounting policy in note 3.G.***

### *i. Right-of-use assets*

The carrying amount of right-of-use assets is as follows:

| *In thousands of U.S. dollars* | Land | Premises | Machinery | Various equipment | Furniture and fixtures | Total |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Costs** | | | | | | |
| Balance as of January 1 | 20 | 714 | 5,327 | 1,466 | - | 7,527 |
| Additions | - | 2,510 | 1,772 | - | 239 | 4,521 |
| Disposals | - | (52) | (605) | (1,021) | - | (1,678) |
| Transfers (a) | - | - | (1,721) | (183) | - | (1,904) |
| Effect of exchange rate | (2) | (60) | 718 | (16) | (22) | 618 |
| | **18** | **3,112** | **5,491** | **246** | **217** | **9,084** |
| **Depreciation** | | | | | | |
| Balance as of January 1 | (2) | (45) | (776) | (638) | - | (1,461) |
| Additions | (2) | (290) | (525) | (11) | (4) | (832) |
| Disposals | - | 23 | 605 | - | - | 628 |
| Others | - | (5) | (609) | 613 | - | (1) |
| Effect of exchange rate | 1 | 27 | 68 | 16 | - | 112 |
| | **(3)** | **(290)** | **(1,237)** | **(20)** | **(4)** | **(1,554)** |
| **Right-of-use assets** | **15** | **2,822** | **4,254** | **226** | **213** | **7,530** |
| **2020** | | | | | | |
| **Costs** | | | | | | |
| Balance as of January 1 | 22 | 2,821 | 9,302 | 2,129 | - | 14,274 |
| Additions | - | 42 | 974 | 244 | - | 1,260 |
| Transfersand changes (a) | - | (1,016) | (4,551) | (205) | - | (5,772) |
| Disposals | - | (1,138) | - | (572) | - | (1,710) |
| Effect of exchange rate | (2) | 5 | (398) | (130) | - | (525) |
| | **20** | **714** | **5,327** | **1,466** | **-** | **7,527** |
| **Depreciation** | | | | | | |
| Balance as of January 1 | (1) | (594) | (644) | (739) | - | (1,978) |
| Additions | (2) | (451) | (191) | (534) | - | (1,178) |
| Adjustments | - | - | - | (1) | - | (1) |
| Disposals | - | 1,060 | - | 573 | - | 1,633 |
| Effect of exchange rate | 1 | (60) | 59 | 63 | - | 63 |
| | **(2)** | **(45)** | **(776)** | **(638)** | **-** | **(1,461)** |
| **Right-of-use assets** | **18** | **669** | **4,551** | **828** | **-** | **6,066** |

(a) Corresponds to transfers of assets acquired by leasing to machinery items and equipment (note 12).

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Depreciation charge for the years ended December 31, 2021 and 2020 was allocated as follows:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| **Separate statement of profit or loss and other comprehensive income** | | | |
| Cost of sales | *29* | 310 | 297 |
| Administrative expenses | *31* | 380 | 689 |
| | | **690** | **986** |
| **Separate statement of financial position** | | | |
| Intangible assets | *14* | 142 | 192 |
| | | **142** | **192** |
| | | **832** | **1,178** |

***ii. Amounts recognized in the separate statement of profit or loss and other comprehensive income***

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Depreciation charge for right-of-use assets | 832 | 1,178 |
| Interest expense for lease liabilities | 281 | 140 |
| **Total amounts recognized in profit or loss** | **1,113** | **1,318** |

***iii. Amounts recognized in the separate statement of cash flows***

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Total cash outflow for leases | *17* | (3,251) | (4,801) |

***iv. Extension options***
Some leases contain extension options that are exercisable for up to 1 year before the end of the non-cancellable period of the lease. Whenever possible, the Company includes extension options in new leases to provide flexibility. The extension options can be exercised only by the Company and not by the lessors. At the commencement date, the Company assesses whether it is reasonably certain to exercise an extension option. The Company shall reassess whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in the circumstances that is within its control.

***v. Lease liabilities***
The carrying amounts of the lease liabilities and the movements during the period are detailed below:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Balance as of January 1 | 6,022 | 7,800 |
| Additions | 4,163 | 3,036 |
| Accrued interest | 281 | 232 |
| Lease payments | (3,251) | (4,801) |
| Decrease in liabilities | (25) | (232) |
| Exchange difference | (2) | (13) |
| | **7,188** | **6,022** |
| **Current portion** | **2,881** | **2,999** |
| **Non-current portion** | **4,307** | **3,023** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The terms and conditions of leases are as follows:

| | | Original | | Total | | Current portion | | Non-current portion | |
|---|---|---|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | Type of liability | currency | Maturity date | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Creditor** | | | | | | | | | |
| Scotiabank Perú S.A.A. | Finance lease | USD | 3/5/2021 | - | 28 | - | 28 | - | - |
| Scotiabank Perú S.A.A. | Finance lease | USD | 6/12/2023 | 293 | 480 | 194 | 187 | 99 | 293 |
| Scotiabank Perú S.A.A. | Finance lease | USD | 1/2/2023 | 234 | 441 | 215 | 208 | 19 | 233 |
| Scotiabank Perú S.A.A. | Finance lease | USD | 9/29/2023 | 285 | 440 | 161 | 155 | 124 | 285 |
| Scotiabank Perú S.A.A. | Finance lease | USD | 11/1/2023 | 945 | 1,376 | 355 | 478 | 591 | 898 |
| Scotiabank Perú S.A.A. | Finance lease | USD | 10/22/2024 | 931 | - | 300 | - | 631 | |
| BBVA Banco Continental S.A. | Finance lease | USD | 9/5/2022 | 173 | 396 | 173 | 223 | - | 173 |
| BBVA Banco Continental S.A. | Finance lease | USD | 12/30/2022 | 185 | 363 | 184 | 178 | - | 185 |
| Banco Santander Perú S.A. | Finance lease | USD | 2/17/2021 | - | 18 | - | 18 | - | - |
| Banco Santander Perú S.A. | Finance lease | USD | 2/24/2021 | - | 48 | - | 48 | - | - |
| Banco Santander Perú S.A. | Finance lease | USD | 12/18/2022 | 371 | 733 | 371 | 362 | - | 371 |
| Banco Santander Perú S.A. | Finance lease | USD | 9/21/2024 | 575 | - | 197 | - | 378 | |
| Banco de Crédito del Perú S.A. | Finance lease | USD | 3/1/2021 | - | 49 | - | 49 | - | - |
| Banco de Crédito del Perú S.A. | Finance lease | USD | 2/1/2022 | 57 | 388 | 57 | 331 | - | 57 |
| Banco de Crédito del Perú S.A. | Finance lease | USD | 9/1/2022 | 210 | 478 | 210 | 268 | - | 210 |
| Banco de Crédito del Perú S.A. | Finance lease | USD | 8/2/2021 | - | 86 | - | 86 | - | - |
| **Total finance leases** | | | | **4,259** | **5,324** | **2,417** | **2,619** | **1,842** | **2,705** |
| Lease liabilities (IFRS 16) | Leases | PEN | | 2,929 | 698 | 464 | 380 | 2,465 | 318 |
| **Total leases** | | | | **2,929** | **698** | **464** | **380** | **2,465** | **318** |
| **Total lease liabilities** | | | | **7,188** | **6,022** | **2,881** | **2,999** | **4,307** | **3,023** |

As of December 31, 2021 and 2020, the Company is not subject to the following requirements:

- Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities, including leases not yet commenced to which the lessee is committed;
- Deviations from industry practice, including unusual or unique lease terms and conditions that affect a lessee's lease portfolio;
- Exposure to other risks arising from leases; and
- Additional information relating to residual value guarantees.

## 14. Intangible Assets

Movement in the cost and accumulated amortization of intangible assets for the years ended December 31, 2021 and 2020 is the following:

| *In thousands of U.S. dollars* | *Note* | Mining concessions and rights | Exploration and development expenses | Computer applications | Closing balance |
|---|---|---|---|---|---|
| **Year 2021** | | | | | |
| **Costs** | | | | | |
| Opening balance | | 30,892 | 535,099 | 216 | 566,207 |
| Additions | | 1,506 | 53,667 | 455 | 55,628 |
| Transfers of work in progress | *13* | - | 593 | - | 593 |
| Effect of exchange rate | | (2,922) | (51,656) | (20) | (54,598) |
| **As of December 31, 2021** | | **29,476** | **537,703** | **651** | **567,830** |
| **Amortization** | | | | | |
| Opening balance | | **(24,463)** | (401,833) | (108) | (426,404) |
| Additions | *29* | (2,097) | (60,025) | (322) | (62,444) |
| Effect of exchange rate | | 2,624 | 47,137 | 13 | 49,774 |
| **As of December 31, 2021** | | **(23,936)** | **(414,721)** | **(417)** | **(439,074)** |
| **Net carrying amount at the end of the year** | | **5,540** | **122,982** | **234** | **128,756** |
| Year 2020 | | | | | |
| **Costs** | | | | | |
| Opening balance | | 30,405 | 533,313 | - | 563,718 |
| Additions | | 3,171 | **48,855** | **221** | **52,247** |
| Disposals | | (75) | **(85)** | **-** | **(160)** |
| Effect of exchange rate | | (2,609) | **(46,984)** | **(5)** | **(49,598)** |
| **As of December 31, 2020** | | **30,892** | 535,099 | 216 | 566,207 |
| **Amortization** | | | | | |
| Opening balance | | (24,675) | (378,399) | - | (403,074) |
| Additions | *29* | (2,085) | **(60,962)** | **(120)** | **(63,167)** |
| Effect of exchange rate | | 2,297 | **37,528** | **12** | **39,837** |
| **As of December 31, 2020** | | **(24,463)** | **(401,833)** | **(108)** | **(426,404)** |
| **Net carrying amount at the end of the year** | | **6,429** | **133,266** | **108** | **139,803** |

***See accounting policy in note 3.F.***

In 2021, additions to 'exploration and development expenses' comprise depreciation charge of machinery and vehicles for US$ 1,428 thousand (2020: US$ 1,359 thousand) (note 12 y 13). Additionally, it comprises employees' profit sharing related to the exploration and development activities for US$ 3,908 thousand (2020: US$ 3,350 thousand) (note 26).

Amortization charge for the years ended December 31, 2021 and 2020 was allocated to production costs (note 29).





## 15. Trade Accounts Payable

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Invoices | *5.F* | 21,521 | 23,623 |

Trade accounts payable correspond to the purchase of materials, supplies and rendering of services for the Company's operating activities.

As of December 31, 2021, it comprises debt factoring and reverse factoring for US$ 4,362 thousand (2020: US$ 3,169 thousand).

Trade accounts payable are stated in local and foreign currency, have current maturities, do not accrue interest, and do not have specific collaterals.

In addition, the Company participates in a supply chain financing program under which its suppliers may elect to receive advance payment of their invoice from a bank by factoring their accounts receivable with the Company. Under the agreement, a bank agrees to pay a participating vendor import bills owed by the Company and receives settlement from the Company at a later date. The main objective of this program is to facilitate the efficient processing of payments and to allow willing suppliers to sell to a bank their accounts receivable from the Company before their due date.

The Company has not derecognized the original liabilities to which the agreement applies because a legal release was not obtained and the original liability was not substantially modified at the moment of the agreement was signed. From the Company's perspective, the agreement does not significantly expand the payment terms beyond the normal terms agreed with other non-participating providers As of December 31, 2021 and 2020, the amount related to the factoring agreements and confirming to the providers of US$ 4,362 thousand and US$ 3,169 thousand, respectively.

The carrying amount of trade accounts payable is similar to the fair value due to their current maturity.

## 16. Other Accounts Payable

As of December 31, it includes the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Other taxes and contributions (a) | | 5,193 | 6,174 |
| Related parties (c) | | 7,589 | 6,211 |
| Countervailing duties payable (b) | | 784 | 1,980 |
| Accounts payable to related parties (d) | | 266 | 88 |
| Artisanal miners (a) | | 3,742 | 1,438 |
| Cash withheld – Contractors | | 4,925 | 4,923 |
| Mining contractors (a) | | 9,729 | 1,300 |
| Compensation and retirement fund, mining, metallurgy and iron and steel | | 988 | 750 |
| Mining royalties – Law 28258 | *27.C* | 1,761 | 1,608 |
| Electric power – Hidrandina S.A. | | 513 | 493 |
| Special mining tax – Law 29789 | *27.C* | 1,780 | 1,591 |
| Insurance contracts (b) | | 104 | 2,821 |
| Purchase of unbilled materials | | 1,093 | 983 |
| Other | | 1,087 | 1,456 |
| **Total accounts payable** | | **39,554** | **31,066** |
| **Less: current portion** | | **39,139** | **30,332** |
| **Non-current portion** | | **415** | **734** |

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(a) It corresponds to accounts payable pending invoice. The variation is related to increase in December production.

(b) Corresponds to the renewal of property insurance, whih has a length of 15 months. This renewal was carried out in the month of October 2020 and covers the period from November 2020 to January 2022, when the policy will be renewed.

(c) It corresponds to related parties.

***Transactions with key management personnel***
The Company considers among its key personnel those officers with authority and responsibility for planning, directing and controlling the Company's activities. The Company's key personnel is defined as the senior management, which is composed of management and Board of Directors. As of December 31, 2021 and 2020, they received remunerations and other benefits:

| *In thousands of U.S. dollars* | ***Note*** | **2021** | **2020** |
|---|---|---|---|
| Key management personnel | | 3,338 | 2,958 |
| Board of Directors | *32* | 12,349 | 9,679 |
| | | **15,687** | **12,637** |

As of December 31, 2021, the outstanding balance amounts to US$ 7,589 (2020: US$ 3,620).

Such benefits are included in 'administrative expenses' and 'cost of sales' in the separate statement of profit or loss and other comprehensive income. As of December 31, 2021 and 2020, the Company did not grant loans to key management personnel, and does not provide post-employment benefits, other long-term benefits or termination benefits.

***i. Parent and ultimate controlling party***
As of December 31, 2021 and 2020, the members of the Company are legal and natural persons which hold 62.74_% and 37.26% of shares, respectively.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 17. Other Financial Liabilities

This caption comprises the following:

| | | | | | Capital | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | | Current portion | | Non-current portion | |
| *In thousands of U.S. dollars* | **Type of liability** | **Currency** | **Interest rate** | **Maturity date** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Scotiabank Perú S.A.A. | Loans | USD | 4.00% | May 2021 | - | 1,002 | - | 1,002 | - | - |
| BBVA Banco Continental S.A. | Loans | USD | 2.2% | December 2023 | 11,934 | 16,009 | 4,080 | 4,083 | 7,854 | 11,926 |
| Scotiabank Perú S.A.A. | Promissory notes | USD | 1.75% | February 2022 | 13,062 | 13,031 | 13,062 | 13,031 | - | - |
| | | | | | **24,996** | **30,042** | **17,142** | **18,116** | **7,854** | **11,926** |

Loans have certain restrictions for the Company, which involve meeting the following covenants. As of December 31, 2021 and 2020, the Company has met them.

(a) Maintain a coverage ratio of more than 3.0.

(b) Maintain a debt-to-equity ratio of less than 2.5.

(c) El vencimiento de este pagaré se extendió hasta el mes de febrero 2022.

The Company shall meet the financial-specific ratios related to debt-to-equity and debt-service coverage ratios. For loans from Scotiabank Perú S.A.A. and BBVA Banco Continental S.A., such ratios are determined as follows:

| **Ratio** | **Covenant** | **As of December 31, 2021** | **As of December 31, 2020** |
|---|---|---|---|
| Coverage ratio | More than 3.0 (EBITDA/borrowing costs) | - | 99.40 times |
| Debt-to-equity ratio | Less than 2.5 (total debt/EBITDA) | 0.12 times | 0.15 times |
| Debt-service coverage ratio | More than 1.5 (EBITDA/debt) | 38.12 times | 8.42 times |
| Debt ratio | Less than 2.5 (financial debt/EBITDA) | - | 0.15 times |

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The fair value of financial liabilities is as follows:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Up to 1 year | 17,364 | 14,045 |
| 1-5 years | 7,994 | 16,626 |
| | **25,358** | **30,671** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Reconciliation of the changes in the liabilities to the cash flows from financing activities:

| | Liabilities | | Total equity | | | |
|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | **Bank loans** | **Lease liabilities** | **Issued capital** | **Other capital reserves** | **Retained earnings** | **Total** |
| Balance as of January 1, 2021 | 30,042 | 6,022 | 100,166 | 20,033 | 209,928 | 366,191 |
| **Changes in cash flows from financing activities** | | | | | | |
| Loans received | - | | | | | - |
| Cash paid for loans | (5,073) | - | - | - | - | (5,073) |
| Cash paid for lease liabilities | - | (3,251) | - | - | - | (3,251) |
| Cash paid for dividends | - | - | - | - | (62,433) | (62,433) |
| **Total changes in cash flows from financing activities** | **(5,073)** | **(3,251)** | **-** | **-** | (62,433) | **(70,757)** |
| **Effects of changes in exchange rates** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Changes in fair value** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Other liability-related changes** | | | | | | |
| Increase in items of property, plant and equipment under finance lease | - | 4,163 | - | - | - | 4,163 |
| Others | (494) | (27) | - | - | - | (521) |
| Cash paid for interest | 521 | 281 | - | - | - | 802 |
| **Total other liability-related changes** | **27** | **4,417** | **-** | **-** | **-** | **4,444** |
| **Total other equity-related changes** | **-** | **-** | **13,328** | **2,666** | **95,982** | **111,976** |
| **Balance as of December 31, 2021** | **24,996** | **7,188** | **113,494** | **22,699** | **243,477** | **411,854** |

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

| | Liabilities | | Total equity | | | |
|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | **Bank loans** | **Lease liabilities** | **Issued capital** | **Other capital reserves** | **Retained earnings** | **Total** |
| Balance as of January 1, 2020 | 39,243 | 7,800 | 109,436 | 21,887 | 160,178 | 338,544 |
| **Changes in cash flows from financing activities** | | | | | | |
| Loans received | 29,000 | - | - | - | - | 29,000 |
| Cash paid for loans | (37,955) | - | - | - | - | (37,955) |
| Cash paid for lease liabilities | - | (4,801) | - | - | - | (4,801) |
| Cash paid for dividends | - | - | - | - | (45,470) | (45,470) |
| **Total changes in cash flows from financing activities** | **(8,955)** | **(4,801)** | **-** | **-** | **(45,470)** | **(59,226)** |
| **Effects of changes in exchange rates** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Changes in fair value** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Other liability-related changes** | | | | | | |
| Increase in items of property, plant and equipment under finance lease | | 3,036 | - | - | - | 3,036 |
| Others | (2,448) | (232) | - | - | - | (2,680) |
| Cash paid for interest | 2,202 | 219 | - | - | - | 2,421 |
| **Total other liability-related changes** | **(246)** | **3,023** | **-** | **-** | **-** | **2,777** |
| **Total other equity-related changes** | **-** | **-** | **(9,270)** | **(1,854)** | **95,220** | **84,096** |
| **Balance as of December 31, 2020** | **30,042** | **6,022** | **100,166** | **20,033** | **209,928** | **366,191** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 18. Employee Benefits

This caption comprises the following:

| *In thousands of U.S. dollars* | **Note** | **2021** | **2020** |
|---|---|---|---|
| Holidays payable | | 933 | 657 |
| Employees' profit sharing payable | *26* | 16,751 | 13,515 |
| Severance payment | | 206 | 265 |
| Wages and salaries payable | | - | 3 |
| **Total employee benefit liabilities** | *5.F* | **17,890** | **14,440** |

***See accounting policy in note 3.M.***

## 19. Provisions

As of December 31, this item includes the following:

| *In thousands of U.S. dollars* | **Note** | **2021** | **2020** |
|---|---|---|---|
| Balance as of January 1 | | 1,108 | 768 |
| Additions | *31* | 289 | 440 |
| Amounts recovered during the year | | (788) | (23) |
| Effect for exchange rate | | (38) | (77) |
| **Balance as of December 31** | *5.F* | **571** | **1,108** |

***See accounting policy in note 3.J.***

## 20. Provision for Environmental Rehabilitation

As of December 31, this item includes the following:

| *In thousands of U.S. dollars* | **Note** | **2021** | **2020** |
|---|---|---|---|
| Balance as of January 1 | | 21,370 | 8,872 |
| Upgrading of fixed asset value | *12* | (539) | 13,112 |
| Financial expenses | *33* | 225 | 246 |
| Disbursements | | (1,263) | (105) |
| Others | | 1 | (1) |
| Effect for exchange rate | | (1,986) | (754) |
| **Closing balance** | *5.F* | **17,808** | **21,370** |
| Less: Current portion | | (937) | (937) |
| **Non-current portion** | | **16,871** | **20,433** |

***See accounting policy in note 3.J.***

Law 28090, effective October 14, 2004, establishes the obligations and procedures that a holder of a mining concession shall meet for preparing, submitting, and implementing the mine closure plan as well as lodging the relevant environmental guarantees. Such Law indicates that a holder of a mining concession shall submit to the competent authorities its mine closure plan within a 6 month-term from the effective date of Law 28090. However, on May 8, 2005, an amendment was approved indicating that a holder of a mining concession shall submit to the competent authorities its mine closure plan within a maximum term of 1 year from the effective date of the Regulation of Law 28090. Supreme Decree 033-2005-EM, dated August 15, 2005, approved the Regulation on the Mine Closure Plan.

GRI
102-45

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Accordingly, the Company hired SVS Ingenieros S.A., a consulting company registered with the General Directorate of Environmental and Energy Affairs (DGAA), for preparing the Company's progressive and final closure plan, which was submitted, on August 16, 2006, to the DGAA of MINEM. Resolution 119-2011-MEM-AAM, dated April 14, 2011, approved such plan. Directorial Resolution, dated May 14, 2018, approved the fourth amendment to the mine closure plan of the Poderosa Production Unit.

The renewal of the guarantee letter in favor of the Ministry of Energy and Mines was negotiated to guarantee compliance with the mine closure plan of the Poderosa mining unit due on 10 December January 2022 for US$ 28,960 thousand including sales tax at the rate of 0.24% per annum with the Bank Continental-BBVA. On August 18, 2021, Law No. 31347 was published, which modifies Law No. 28090 and regulates the Closure of Mines. This modifies the guarantee that the mining owner must establish in favor of the MINEM, and establishes the inclusion of progressive closure measures in the productive stage. The rule establishes that the Executive Branch, through a supreme decree endorsed by the MINEM, will adapt the regulations of the Mine Closure Law to the provisions of this law, within a period not exceeding ninety (90) days counted from its publication. To date, the adequacy of the regulation is still pending.

Law No. 31347 does not condition its validity to the issuance of the adequacy of the regulation, therefore, it is in force; however, its application arose from the discretion of the authority. In the particular case of the constitution of financial guarantees for the progressive closure of main components, until the regulation is published, the authority will not use this warranty. It is estimated that the adaptation of the regulation will take place in 2022 and its application will start in 2023, as they are annual guarantees. The Company has submitted on January 10, 2022 the guarantee letter for the year 2022 to the MINEM, corresponding to the final closing and post-closing, without including the principal amount of the progressive closing of components.

As of December 31, 2020, the future value of the provision for mine closure amounts to US$ 27,133 thousand. Such amount was discounted at a risk-adjusted discount rate of 0.93% resulting in an asset at present value of US$ 25,689 thousand (2019: US$ 14,724 thousand discounted at 1.92% resulting in an asset at present value of US$ 13,741 thousand). The Company considers that the liability amount recognized in the separate financial statements is sufficient to meet its obligation under the current environmental regulations approved by MINEM.

Amounts recognized in the separate statement of profit or loss and other comprehensive income are as follows:

| *In thousands of U.S. dollars* | ***Note*** | **2021** | **2020** |
|---|---|---|---|
| Depreciation | *12* | 2,423 | 436 |
| Costs of upgrading the provision for environmental rehabilitation | *33* | 225 | 246 |



GRI
102-45

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 21. Derivative Instruments

The Company has ISDA master agreements entered into with international financial institutions— e.g., Macquarie Bank Limited, Techemet, among othersto set prices to hedge cash flows from sales. As of December 31, 2021, this type of Derivative instruments resulted in a net gain on financial instruments for US$ 89 thousand (2020: net loss for US$ 16,740 thousand). As of December 31, 2021, the derivative instrument amounts to US$ 20 thousand (note 8). The balance payable as of December 31, 2020 is included in the item Derivative Financial Instruments (note 5F.) of the separate statement of financial position in US$ 1,862 thousand.

***See accounting policy in note 3.B.v.***

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 22. Deferred Tax Liabilities

This caption comprises the following:

| *In thousands of U.S. dollars* | As of December 31, 2020 | Credit (debit) to the separate statement of profit or loss | Effect of movements in exchange rates | As of December 31, 2020 | Credit (debit) to the separate statement of profit or loss | Effect of movements in exchange rates | As of December 31, 2021 |
|---|---|---|---|---|---|---|---|
| **Deferred assets** | | | | | | | |
| Costs for mine closure | 1,359 | 88 | (118) | 1,329 | 334 | (132) | 1,531 |
| Employees' profit sharing payable | 3,192 | 1,101 | (304) | 3,989 | 1,368 | (405) | 4,952 |
| Finance leases | 475 | (236) | (33) | 206 | 693 | (35) | 864 |
| Provision for mine closure | (117) | 37 | 9 | (71) | - | 5 | (65) |
| Accrued holidays | (11) | 17 | 1 | 7 | - | (1) | 6 |
| Provision for labor lawsuits | 227 | 123 | (23) | 327 | (131) | (27) | 169 |
| Special mining tax | 822 | (294) | (61) | 467 | 97 | (45) | 519 |
| **Total deferred assets** | **5,946** | **836** | **(528)** | **6,254** | **2,361** | **(639)** | **7,976** |
| **Deferred liabilities** | | | | | | | |
| Excess amortization of intangible assets | (17,291) | (12) | 1,465 | (15,838) | 108 | 1,479 | (14,251) |
| Property, plant and equipment | (1,706) | (268) | 153 | (1,821) | (507) | 181 | (2,147) |
| Inventories | (89) | (42) | 9 | (122) | 165 | 8 | 51 |
| Cost of leased assets | (475) | 239 | 33 | (203) | (580) | 32 | (751) |
| **Total deferred liabilities** | **(19,562)** | **(83)** | **1,661** | **(17,984)** | **(814)** | **1,700** | **(17,098)** |
| **Deferred liabilities, net** | **(13,616)** | **753** | **1,133** | **(11,730)** | **1,547** | **1,061** | **(9,122)** |

***See accounting policy in note 3.I.***



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Debit (credit) to profit or loss for deferred tax liabilities was as follows:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Total closing balance | | 9,122 | 11,730 |
| Total opening balance | | (11,730) | (13,616) |
| Effect of movements in exchange rates | | 4,155 | 1,133 |
| **Income for the year** | *27.C* | **1,547** | **(753)** |

## 23. Issued Capital

As of December 31, 2021 and 2020, the authorized, subscribed, and paid-in capital is in accordance with the Company's bylaws and their amendments and represented by 453,750,000 and 363,000,000 ordinary shares respectively, with a face value of S/ 1 each.

The General Stockholders' Meeting held March 9, 2021, approved the increase in capital stock and capitalized S/ 90,750 thousand equivalent to US$ 26,517 thousand of the 2018 and 2019 profits. Such capitalization is registered at the National Superintendency of Public Registries (SUNARP, for its Spanish acronym).

As of December 31, 2021, the Company's ordinary shares are listed in the Lima Stock Exchange at S/ 9.20 per share (2020: S/ 10.3) and have a trading frequency of 45% (2020: 43%).

As of December 31, 2021 and 2020, the Company's shareholding structure is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Percentage of individual interests in capital** | **Number of stockholders** | **Total percentage of interests** | **Number of stockholders** | **Total percentage of interests** |
| Up to 1 | 257 | 2.30 | 220 | 96.49 |
| From 1.01 to 5 | 1 | 4.25 | 1 | 0.44 |
| From 5.01 to 10 | 2 | 19.26 | 2 | 0.88 |
| More than 10 | 5 | 74.19 | 5 | 2.19 |
| | **265** | **100.00** | **228** | **100.00** |

***See accounting policy in note 3.R.***

## 24. Other Capital Reserves

Pursuant to the Companies Act, the Company is required to allocate at least 10% of its net annual profit to a legal reserve. This allocation is required until the reserve equals 20% of the paid-in capital. The legal reserve may be used to offset losses in the absence of retained earnings or unrestricted funds, but it shall be restored. The legal reserve may also be capitalized, but it shall be subsequently restored.

During 2021, the legal reserve was increased as a result of the capitalization of the profits for the years 2018 and 2019 and has reached the limit of 20%.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 25. Retained Earnings

The General Stockholders' Meeting, placed on March 9, 2021, approved the dividend distribution for US$ 62,433 thousand (S/ 213,623 thousand) (US$ 0.172 thousand per ordinary share), debited to the 2019 and 2018 profits. Payments were made in full in March, 2021..

The General Stockholders' Meeting, held March 10, 2020, approved the dividend distribution for US$ 45,470 thousand (S/ 156,090 thousand) (S/ 0.43 thousand per ordinary share), debited to the 2018 profits. Payments were made in full in April, June and August 2020.

***See accounting policy in note 3.S.***

## 26. Employees' Profit Sharing

In accordance with current regulations, employees are entitled to a profit sharing plan computed at 8% of net income. In determining income tax, this employees' profit sharing is considered as a deductible expense.

In 2021, the Company determined a current employees' profit sharing for US$ 16,786 thousand (2020: US$ 13,522 thousand), which was recorded in the following items:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Cost of sales | *29* | 10,185 | 8,150 |
| Selling expenses | *30* | 29 | 25 |
| Administrative expenses | *31* | 2,928 | 2,405 |
| Intangible assets | *14* | 3,908 | 3,247 |
| Effect of exchange rates | | (264) | (305) |
| | | **16,786** | **13,522** |

As of December 31, 2021, the employees' profit sharing payable amounts to US$ 16,751 thousand (2020: US$ 13,515 thousand), which is included in 'employee benefits' in the separate statement of financial position (note 18).

***See accounting policy in note 3.M.***

## 27. Tax Matters

***Tax rates***

A. The Company is subject to the Peruvian tax regime. As of December 31, 2021 and 2020, the corporate income tax is calculated on the basis of the net taxable income determined by the Company at a rate of 29.5%.

Through Legislative Decree 1261, published December 10, 2016 and effective January 1, 2017, the corporate income rate was amended to 29.5%.

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

B. In accordance with current Peruvian tax law, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income, provided that no double tax treaties are applicable. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical support or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

C. **Mining royalties and special mining tax:**
On September 28, 2011, the Peruvian government amended the mining royalties from October 1, 2011. Accordingly, mining royalties for holders of mining concessions (metallic and non-metallic mineral resources) shall be quarterly settled. In determining mining royalties, the Company uses the higher of: (i) the amount obtained by applying a marginal step rate to the quarterly operating profit adjusted for certain items; and (ii) 1% of net quarter sales. Payments of mining royalties are deductible for determining income tax of the year in which payments are made.

As of December 31, 2021, expenses for mining royalties and special mining tax amount to US$ 1,761 thousand and US$ 1,780 thousand, respectively (2020: US$ 1,608 thousand and US$ 1,591thousand).

D. **Additional retirement fund for mining workers:**
Law 29741, issued July 9, 2011 and approved through Supreme Decree 006-2012-TR, created the additional retirement fund for mining, metallurgical and steel workers to provide an additional payment, other than the retirement, disability and survivorship benefits, to mining, metallurgical and steel workers.

Both the latter and companies subject to such Law shall make a contribution of 0.5% of the Company's annual profit before tax to the fund. As of December 31, 2021, the contributions to the fund amount to US$ 961 thousand (2020: US$ 780 thousand).

***Income Tax Determination***

E. The Company computed its tax base for the years ended December 31, 2021 and 2020 and determined current tax for US$ 56,720 thousand and US$ 47,448 thousand, respectively.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Tax expense comprises the following:

| *In thousands of U.S. dollars* | Note | 2021 | 2020 |
|---|---|---|---|
| Current tax | | 56,720 | 47,448 |
| Deferred tax | *22* | 1,547 | (753) |
| Special mining tax | | 6,751 | 5,588 |
| Effect for exchange rate | | (3,059) | (1,441) |
| | | **61,959** | **50,842** |

Reconciliation of the effective tax rate to the tax rate is as follows:

| *In thousands of U.S. dollars* | 2021 | | 2020 | |
|---|---|---|---|---|
| Profit before tax | **192,640** | **100.00%** | **157,534** | **100.00%** |
| Income tax (theoretical) | 56,829 | 29.50% | 46,473 | 29.50% |
| Special mining tax | 6,751 | 3.50% | 5,588 | 3.55% |
| **Tax effects on additions and deductions** | | | | |
| Permanent differences | (1,621) | (0.81%) | (1,219) | (0.77%) |
| **Current and deferred tax as per effective rate** | **61,959** | **32.16%** | **50,842** | **32.28%** |

***Temporary Tax on Net Assets***

F. The Company is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific loss allowance. The tax rate is 0.4% for the years 2021 and 2020 and is applied to the amount of net assets exceeding S/ 1,000 thousand. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested. The Company determined that the temporary tax on net assets for the year 2021 amounts to S/ 5,325 thousand (2020: S/ 4,778 thousand).

***Financial Transaction Tax***

G. Financial transaction tax for the years 2021 and 2020 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

***Transfer Pricing***

H. In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation shall be supported with documents and information on the valuation techniques and the criteria used for the pricing. Until taxable year 2016, formal obligations of transfer pricing were the presentation of a transfer pricing sworn statement and a technical study.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (subject to limits of materiality); (ii) presentation of a Master File (subject to limits of materiality)); and (iii) presentation of a Country-by-Country Reporting. The presentation of the Master File and the Country-by-Country Reporting are mandatory for transactions corresponding to the year 2018 onwards.

Tax Authorities' Resolution 014-2018-SUNAT, published January 18, 2018, approved the Electronic Form 3560 for presentation of the Local File, establishing the deadlines for its presentation and the content and format that shall be included therein.

Thus, the deadline for the presentation of the Local File for the taxable year 2020 shall be June 2021, in accordance with the maturity schedule agreed upon for May and published by the Tax Authorities. In the case of the Local File for the taxable year 2019, these were presented in June 2020 according to the schedule of monthly tax obligations planned for the period tax of May published by the Tax Authority.

The content and format of the Local File are stated in the Appendixes I, II, III and IV of Tax Authorities' Resolution 014-2018-SUNAT.

Legislative Decree 1312 also established that intragroup services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documents and information under specific conditions for the deduction of costs or expenses.

Superintendency Resolution No. 163-2018-SUNAT, published on June 29, 2018, the Virtual Form No. 3561 was filed for the purposes of the affidavit Master Report and Virtual Form No. 3562 for the purposes of the Report affidavit Country by Country, as well as the deadlines for its presentation and the content and format that must include.

Legislative Decree 1116 established that transfer pricing regulations are not applicable to sales tax.

Based on the analysis of the Company's operations, Management and its advisors consider that, as a consequence of the application of these standards, no significant contingencies as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company is not required to submit any of such files.

***Tax Review of the Tax Authority***

I. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Company within the 4 years following the year of the tax return filing. The Company's income tax returns for the years from 2016 to 2021 are open for review by the Tax Authorities. Its income tax returns for the years 2010, 2012 and 2015 are already reviewed. The Company's sales tax returns for the years from 2012 (July) to 2019 are open for review by the Tax Authorities.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Company. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the separate financial statements as of December 31, 2021 and 2020.

***Uncertainty about income tax treatment***

J. The Company has made an assessment of the uncertain positions on treatments in accordance with IFRIC 23 and determined, based on its compliance study of taxes and transfer prices, that their tax treatments are likely to be accepted by the tax authorities. The Interpretation had no impact on the states financial statements of the Company as of December 31, 2021 and 2020.

***Sales Tax Regime***

K. Legislative Decree 1347, published January 7, 2017 and effective July 1, 2017, established the possible reduction of 1% in the sales tax, provided that the goal of annual sales tax collection as of May 31, 2017 is reached, net of internal refunds of 7.2% of Gross Domestic Product. Accordingly, if the aforementioned goal is met, the sales tax rate (including the municipal tax) shall be reduced from 18% to 17%.

However, the estimated collection goal was not met at the end of the term, so the sales tax rate shall be held at 18%.

***Major amendments to tax laws effective for periods beginning on January 1, 2019***

K. **New accrual concept:** Legislative Decree1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with leases regulated by IFRS 16—i.e., operating leases for tax purposes.

This concept shall not be applicable for those entities accruing income or expenses for income tax purposes in accordance with tax laws establishing a special (sector) accrual system.

L. **Deduction of expenses or costs incurred in transactions with non-domiciled individuals:** Legislative Decree 1369 states that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals shall be paid effectively to be deducted in the period in which they are incurred. Otherwise, their effect on the determination of net income shall be deducted in the period they are actually paid and the relevant withholding shall be applied.

Such regulation abolished the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and/or expense.



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

M. **Indirect loans:**
From January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that taxed the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.

N. **Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:**
Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012 are reviewed; (ii) it is applicable only if there is a favorable opinion (unappealable) from a review committee composed of Tax Authorities' officers; and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a 1-year term to request information from the audited parties.

On May 6, 2019, Supreme Decree No. 145-2019-EF was published in the Official newspaper El Peruano, approving the substantive and formal parameters for the application of the general anti-avoidance rule contained in the Rule XVI of the Tax Code ("TC"); with which it is understood that the requirement to lift the suspension established by Law 30230 for the application of said norm has been fulfilled. Likewise, the SUNAT Audit Procedure Regulations have been adapted for this purpose.

Through Superintendence Resolution No. 000184-2021/SUNAT published on December 13, 2021, the members of the Review Committee of the National Superintendence of Customs and Tax Administration - SUNAT referred to in article 62-C of the Only Ordered Text were appointed. of the Tax Code, which states that when applying the Anti-Avoidance Rule in an audit procedure, a report must be submitted together with the audit file to the Review Committee.

O. **Joint and several liability of legal representatives and directors:**
From September 14, 2018, through Legislative Decree 1422, when an audited individual is subject to the General Anti-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributed to such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with an avoidance purpose.

Such regulation also involves the members of the Board of Directors, since it is stated that these individuals are responsible for setting the tax strategy of the entities where they are directors. Thus, the latter are responsible for determining whether to approve the acts, situations or economic relationships carried out within the tax planning framework, and finally they shall not delegate such liability.

Lastly, members of the domiciled entities' Board of Directors were granted a term (until March 29, 2019) to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that are effective to date.

GRI
102-45



Considering the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of "tax planning," it will be crucial to review any act, situation or economic relationship that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes of such periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter, in case the entity to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

P. **Information related to ultimate beneficiaries:**
In line with the regulations to strengthen the fight against tax evasion and avoidance, as well as against money laundering and terrorism financing, from August 3, 2018, provisions introduced by Legislative Decree 1372 are currently in force. The aforementioned Decree requires the presentation of information related to ultimate beneficiaries to the competent authorities through a sworn statement of the ultimate beneficiaries. Such statement shall disclose the names of the natural persons that effectively retain ownership or control. Thus, it is mandatory to report the following: (i) identification of the ultimate beneficiaries; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have such information, if applicable. Also, it states that the information related to the identification of the ultimate beneficiaries of legal persons and legal entities provided to the competent authorities under these regulations neither violates professional secrecy nor is subject to restrictions on the disclosure of information arising from secrecy requirements under contracts or any regulatory provision.

Lastly, if the informative sworn statement with the information related to the ultimate beneficiaries is not presented, the legal representatives of the entity that failed to comply with the presentation of such statement shall assume the joint and several liability.

The Company submitted the informative sworn statement on the date established in the monthly maturity schedule.

Q. **Indirect transfer of shares:**
From January 1, 2019, an anti-avoidance measure is included to prevent the split of transactions, which allows indirect transfer of shares of entities domiciled in Peru.

In order to determine if a Peruvian entity has made a transfer within a 12-month period of 10% or more of capital, transfers of the analyzed entity and transfers to related parties shall be considered, whether transfers are made through one or several (simultaneous or successive) transactions. The relationship shall be set up in accordance with Article 32-A (b) of Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be made when, over any 12-month period, the total amount of transferred shares of the Peruvian legal person is equal to or greater than 40,000 UIT.



GRI
102-45



Lastly, from January 1, 2019, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable party. Thus, it is required to provide information, among others, regarding the transferred shares or interests of the non-domiciled legal person.

***Tax modifications of greater relevance in force as of 2021***

S. **Asset Depreciation**
Through Legislative Decree No. 1488 Special Depreciation and Modification Regime, the depreciation percentages of assets acquired during the years 2020 and 2021 are increased, in order to promote private investment and grant greater liquidity given the current economic situation due to the effects of the COVID-19.

T. **Undercapitalization**
As of January 1, 2021, financial expenses will be deductible up to the limit of 30% of the tax EBITDA (Net Income - Loss Compensation + Net Interest + Depreciation + Amortization) of the previous year. There are some exceptions to the application of this limitation in the case of banks, taxpayers with income not exceeding 2,500 UIT, infrastructure, public services, among others.

Through Supreme Decree No. 402-2021 published on December 30, effective as of December 31, 2021, the Regulations of the Income Tax Law that regulates the calculation of tax EBITDA for the purposes of the debt interest limit were modified.

For the years 2019 and 2020, the financial expense generated by indebtedness between independent and related parties is subject to the undercapitalization limit of (3:1 Debt-Equity Ratio) calculated at the end of the previous year.

U. **Other relevant changes**
Within the framework of the delegation of powers to legislate on tax, fiscal, financial and economic reactivation matters, given to the Executive Power (Law No. 31380), on December 30, 2021, the first tax regulations were published, among which stand out the tax benefits approved for the Aquaculture and Forestry sector, the standardization of the cost for access to tax stability and the extension of the sales tax exemptions, among the main ones we have:

They extend the validity of some tax exemptions and benefits, specifically the following:

- Until December 31, 2022, the exemptions contained in Appendices I and II of the Sales Tax Law are extended. Consequently, the sale of basic food and basic services such as public transport, among others, will not be taxed with sales tax.
- Until December 31, 2024, the issuance of electronic money will not be subject to sales tax.
- Until December 31, 2024, the refund of taxes levied on acquisitions with donations from abroad and imports from diplomatic missions is allowed Link to the rule in comment: Legislative Decree No. 1519.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Likewise, through Supreme Decree No. 1516 published on December 30, 2021 and in force as of December 31, 2021, it has been arranged to standardize the cost for access to the stability provided for in the Legal Stability Agreements under the Legislative Decrees No. 662 and No. 757, therefore said decree has modified article 1 of Law No. 27342 that regulates said agreements, therefore the companies receiving investment sign with the State, stabilize the Income Tax that It must be applied in accordance with the regulations in force at the time of the signing of the corresponding agreement, being applicable the current rate referred to in the first paragraph of article 55 of the Income Tax Law at that time plus 2 (two) points. percentage.

## 28. Revenue

### A. Revenue streams

The Company generates cash flows based on its distributed activities among its performance obligations stated in note 3.O.

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| Revenue from contracts with customers – Gold bullion (a) | 539,262 | 475,189 |
| **Total revenue** | **539,262** | **475,189** |

(a) The fixed price is subject to a future settlement according to business contracts entered into with customers. It usually ranges from 3 to 4 days after delivery of the ore concentrate to the customer. Final adjustment is based on market prices established in the business contract. As of December 31, 2021, the balance of adjusted prices amounts to US$ 78 thousand (2020: US$ 325 thousand).

The increase for adjusted gold price is the result of an increase in the price over the year compared with the prior year:

| | 2021 | 2020 |
|---|---|---|
| Gold (USD/oz) | 1,796 | 1,777 |
| Silver (USD/oz) | 25 | 21 |

### B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by performance obligations.

| | Total | |
|---|---|---|
| *In thousands of U.S. dollars* | 2021 | 2020 |
| **Main performance obligations** | | |
| Sale of mineral and laboratory services | 539,262 | 475,189 |
| | **539,262** | **475,189** |

***Performance obligations and revenue recognition policies***

Revenue is measured at the fair value of the consideration established in the contract with a customer. The Company recognizes revenue when it transfers control of a good at a point in time—i.e., upon delivery of a good. *See accounting policy in note 3.O.*



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

### C. Contract balances

The following table provides information about accounts receivable from contracts with customers.

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Trade accounts receivable | *7* | 2,547 | 3,528 |
| | | **2,547** | **3,528** |

(a) As of December 31, 2021 and 2020, the Company does not have contract assets or contract liabilities.

## 29. Cost of Sales

This caption comprises the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Beginning inventory of finished goods | *9* | 7,107 | 7,085 |
| Beginning inventory of work-in-progress | *9* | 198 | 253 |
| Production costs (a) | | 292,675 | 251,374 |
| Supervisory Agency for Investment in Energy and Mining of Peru (OSINERGMIN) and OEFA | | 1,287 | 1,137 |
| Ending inventory of finished goods | *9* | (7,792) | (7,107) |
| Ending inventory of work-in-progress | *9* | (203) | (198) |
| | | **293,272** | **252,544** |

***See accounting policy in note 3.P.***

(a) The cost of production mainly comprises the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| Artisanal miners | | 67,342 | 64,632 |
| Amortization | *14* | 62,444 | 63,167 |
| Cleaning up of camps and metalworking | | 54,204 | 36,362 |
| Mining activities – contractors | | 19,234 | 15,677 |
| Personnel expenses | *32* | 13,951 | 13,781 |
| Use of materials and supplies | | 11,902 | 9,563 |
| Transportation and storage | | 12,367 | 8,833 |
| Depreciation | *12 & 13* | 12,169 | 9,485 |
| Employees' profit sharing | *26* | 10,185 | 8,150 |
| Lease of machinery and equipment | | 6,233 | 4,352 |
| Electric power | | 3,118 | 2,629 |
| Room and board (a) | | 3,703 | 1,125 |
| Security services | | 5,329 | 3,443 |
| Civil construction activities – contractors | | 2,272 | 1,777 |
| Sampling and analysis | | 2,303 | 2,220 |
| Repair and maintenance services | | 2,775 | 2,322 |
| Advisory and consulting services on geology, mine and plant | | 601 | 721 |
| Landline and mobile phones, Internet and satellite link | | 482 | 237 |
| Software license expenses | | 342 | 311 |
| Others | | 1,719 | 2,587 |
| | | **292,675** | **251,374** |

(b) The increase is due to disbursements incurred for compliance with biosafety protocols for the containment and prevention of COVID-19.

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

## 30. Selling Expenses

This caption comprises the following:

| *In thousands of U.S. dollars* | **Note** | **2021** | **2020** |
|---|---|---|---|
| Sale participation agreements (a) | | 12,586 | 9,083 |
| Third-party services (b) | | 1,282 | 1,068 |
| Personnel expenses | *32* | 46 | 45 |
| Depreciation | *12 & 13* | - | - |
| Employees' profit sharing | *26* | 29 | 25 |
| Others | | 53 | 42 |
| | | **13,996** | **10,263** |

***See accounting policy in note 3.P.***

(a) It corresponds to a payment from the Company to holders of mining concessions according to the contractual transfer of exploitation rights. Such payment amount results from applying a percentage on the price of gold bullion sold by the Company.

As of December 31, 2021 and 2020, the Company has entered into 10 sale participation agreements. These agreements do not have a maturity date and sale participation percentages range between 0.0357% and 6%.

(b) It corresponds to land and air transportation for the sale of gold bullion, as well as overseas refinery costs.

## 31. Administrative Expenses

This caption comprises the following:

| *In thousands of U.S. dollars* | **Note** | **2021** | **2020** |
|---|---|---|---|
| Personnel expenses | *32* | 16,881 | 14,294 |
| Employees' profit sharing | *26* | 2,928 | 2,405 |
| Third-party services (a) | | 4,791 | 4,626 |
| Miscellaneous management expenses (b) | | 8,886 | 7,770 |
| Mining royalties – Law 29788 | *27.C* | 6,617 | 5,500 |
| Provision for litigations | *19* | 289 | 440 |
| Accounts receivable impairment | *8* | 281 | 409 |
| Depreciation | *12 & 13* | 756 | 1,013 |
| Others | | 156 | 39 |
| | | **41,585** | **36,496** |

***See accounting policy in note 3.P.***



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(a) The services received by third parties mainly comprise the following:

| *In thousands of U.S. dollars* | **2021** | **2020** |
|---|---|---|
| Advisory and consulting services | 2,441 | 2,184 |
| Land and air transportation of employees | 367 | 210 |
| Environmental management | 509 | 839 |
| Lease of offices | 2 | 9 |
| Lease of equipment | 538 | 195 |
| Security services | 177 | 206 |
| Satellite link, landline and mobile phones | 65 | 68 |
| Room and board | 14 | 49 |
| Electric power | 29 | 93 |
| Bank charges | 48 | 121 |
| Other services | 601 | 652 |
| | **4,791** | **4,626** |

(b) Miscellaneous management expenses include the following:

| *In thousands of U.S. dollars* | **2021** | **2020** |
|---|---|---|
| Insurance contracts | 3,790 | 3,084 |
| Expenses for donations | 3,867 | 2,890 |
| Other services | 1,229 | 1,796 |
| | **8,886** | **7,770** |

## 32. Personnel Expenses

This caption comprises the following:

***See accounting policy in note 3.M.***

| | | **Cost of sales (note 29)** | | **Selling expenses (note 30)** | | **Administrative expenses (note 31)** | |
|---|---|---|---|---|---|---|---|
| *In thousands of U.S. dollars* | ***Note*** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Wages and salaries | *18* | 7,312 | 7,441 | 31 | 30 | 2,771 | 2,731 |
| Social security contributions | | 2,465 | 2,288 | 4 | 4 | 429 | 444 |
| Legal bonuses | | 1,181 | 1,244 | 5 | 5 | 441 | 472 |
| Other personnel expenses | | 745 | 485 | - | - | 258 | 298 |
| Other benefits | | 864 | 1,120 | - | - | 135 | 194 |
| Severance payment | | 706 | 709 | 3 | 3 | 261 | 263 |
| Holidays | | 678 | 494 | 3 | 3 | 237 | 213 |
| Remuneration to Board of Directors | *16(c)* | - | - | - | - | 12,349 | 9,679 |
| | | **13,951** | **13,781** | **46** | **45** | **16,881** | **14,294** |

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

### 33. Finance Income (Borrowing Costs)

This caption comprises the following:

| *In thousands of U.S. dollars* | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Finance income** | | | |
| Interest on time deposits | | 181 | 215 |
| Interest on loans | | 16 | 32 |
| Gains on financial instruments | *21* | 89 | - |
| Other income | | - | 43 |
| | | **286** | **290** |
| **Borrowing costs** | | | |
| Loss on derivative instruments (a) | | (470) | (17,183) |
| Interest on short-term and long-term loans and leases | | (802) | (1,454) |
| Interest on financial liabilities discounts | | (156) | (54) |
| Market price expenses | | (81) | (65) |
| Costs of upgrading the provision for environmental rehabilitation | *20* | (225) | (246) |
| Others | | (362) | (251) |
| | | **(2,096)** | **(19,253)** |

(a) Derivative instruments aim to hedge the risk that arises from changes in the price of the commodity (gold) to which the Company is exposed in order to secure its profit or loss. As of December 31, 2021 and 2020, it resulted in losses.

***See accounting policy in note 3.T.***

### 34. Earnings per Share

Earnings per ordinary share are as follows:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| **Income attributable** | **130,681** | **106,692** |
| Denominator | | |
| Outstanding shares | 453,750 | 363,000 |
| **Earnings per share (in U.S. dollars)** | **0.288** | **0.294** |

***See accounting policy in note 3.V.***

### 35. Other Income and Expenses

This caption comprises the following:

| *In thousands of U.S. dollars* | 2021 | 2020 |
|---|---|---|
| **Other income** | | |
| Revenue from sale of materials | 11 | 21 |
| Lease of items of property, plant and equipment | 1,928 | 1,898 |
| Lease of equipment | 1,206 | 265 |
| Gain on sale of fixed assets | 165 | - |
| Insurance recovery | 520 | - |
| Other income | 588 | 37 |
| | **4,418** | **2,221** |
| **Other expenses** | | |
| Cost on disposal of fixed assets | 377 | 1,610 |
| | **377** | **1,610** |



*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

### 36. Environmental Commitment

The Company's activities are regulated by the Consolidated Text of the General Mining Law approved through Supreme Decree 014-92-EM; Law 28611 "General Environmental Law," which abolishes the Environment and Natural Resources Code, approved through Legislative Decree 613; and Regulation on Environmental Protection and Management for Mining Activities including Operations, Profits, General Work, Transportation and Storage, approved through Supreme Decree 040-2014-EM. In compliance with such regulations, the Company performed Environmental Impact Assessments (EIA) according to its Environmental Adjustment and Management Program (PAMA, for its Spanish acronym), which was submitted to MINEM on July 31, 1996, and approved on March 27, 1997, through Directorial Resolution 129-97 EM/DGM for US$ 1,360 thousand. On September 21, 1999, the Company submitted an amendment to its PAMA, which was approved through Directorial Resolution 41-2001EM/DGAA on February 8, 2001 for US$ 1,571 thousand. Its execution term was until December 31, 2001.

Directorial Resolution 028-2003-CM/DGM, dated January 27, 2003, approved the 18 PAMA investment projects for US$ 1,576 thousand. Such expenses were mainly used in the improvement and expansion of existing tailings dams, evaluation and selection of new tailings dams, improvement of waste rock management, dust control on roads and site restoration implementing reforestation programs and reducing wood consumption in mines. Likewise, the Company has been complying with the EIAs of the Santa María I Processing Plant, approved through Directorial Resolution 186-2013-MEM/AAM, dated June 11, 2013, under File 199-2013-MEM-AAM/RPP/MPC/ADB/MAA/MLI; of the Consuelo Mine, approved through Directorial Resolution 353-201-EM/DGAA, dated November 16, 2000; and of the Marañón Processing Plant, approved through Directorial Resolution 450-2014-MEM-DGAAM, dated September 1, 2014, under File 921-2014-MEM-DGAAM/B, dated August 28, 2014. Such EIAs establish management plans and involve management of tailings, waste rocks, community relationships, and mine and plant effluent monitoring programs.

As of December 31, 2021, investment expenses and maintenance and monitoring costs of the 18 PAMA investment projects, which correspond to the fourth quarter of 2021, amounted to US$ 555 thousand in the Poderosa Production Unit and accrued expenses amounted to US$ 1,666 thousand.

Regarding the fourth quarter of 2020, environmental management expenses amounted to US$ 1,365 thousand in the Poderosa de Trujillo, Libertad, Suyubamba, Lavasen, Condormarca and Montañitas Economic Administrative Units. As of December 31, 2020, accrued expenses amounted to US$ 4,809 thousand.

### 37. Contingencies and Commitments

As of December 31, 2020, the Company has the following contingencies:

**A. Tax proceedings**

***i. Tax proceeding: 2015 income tax – Claim File 0150340017571***

On November 29, 2019, the Company received Tax Assessment Resolution 0120030108129 for the adjustment of payments of 2015 income tax, as well as Fine Resolution 0120020033180 for an alleged commission of an offense under the Article 178 (1) of Tax Code.

GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The objections made by the Tax Authorities correspond to: (i) stockpiles not recognized as work-in-progress for US$ 1,507 thousand (S/ 5,460 thousand); (ii) inappropriate deduction for depreciation of unrecorded fixed assets for US$ 284 thousand (S/ 1,028 thousand); (iii) inappropriate deduction for depreciation of unrecorded fixed assets for US$ 62 thousand (S/ 224 thousand); and (iv) undocumented employees' profit sharing for US$ 12 thousand (S/ 43 thousand).

On December 27, 2019, the Company filed a claim under File 0150340017571.

On September 25, 2020, the Company received Resolution 150140015590, declaring groundless the claim filed by the Company and approving the collection of the tax debt given in Tax Assessment Resolution 012-003-0108129 and Fine Resolution 012-002-0033180.

On October 16, 2020, the Company filed an appeal against Resolution 0150140015590. On November 27, 2020, the Company (appellant) filed a supplemental brief.

***ii. Tax proceeding: 2015 special mining tax – Claim File 0150340017479***

On October 31, 2019, the Company received Tax Assessment Resolutions 012-003-0107555 for US$ 139 thousand (S/ 502 thousand); 012-003-0107556 for US$ 60 thousand (S/ 217 thousand); 012-003-0107557 for US$ 76 thousand (S/ 277 thousand) and 012-003-0107558 for US$ 25 thousand (S/ 91 thousand), regarding the adjustment of mining royalties of the periods from March 2015 to December 2015, as well as Fine Resolutions 012-002-0033072 for US$ 69 thousand (S/ 251 thousand); 012-002-0033073 for US$ 30 thousand (S/ 109 thousand); 012-002-0033074 for US$ 38 thousand (S/ 138 thousand) and 012-002-0033075 for US$ 13 thousand (S/ 46 thousand), regarding an alleged commission of an offense under the Article 178 (1) of Tax Code.

On November 28, 2019, the Company filed a claim under File 0150340017479.

On October 8, 2020, the Company received Resolution 150140015590, declaring groundless the claim filed by the Company and approving the collection of the tax debt given in Tax Assessment Resolutions from 012-003-0107555 to 012-003-0107558 and Fine Resolutions from 012-002-0033072 to 012-002-0033075.

On October 29, 2020, the Company filed an appeal against Resolution 0150140015620.

***iii. The following processes in force as of December 31, 2020, were resolved in favor to the Company during 2021:***

1. Contentious Tax Procedure: Income Tax for the Year 2003 (File No. 3867-2011).
2. Contentious Tax Procedure: Income Tax for the Year 2009 – File No. 12866-2012.
3. Contentious Tax Procedure: Income Tax for the Year 2010 – Files No. 3713-2017 and No. 6716-2018.
4. Contentious Tax Procedure: Income Tax for the Year 2011.
5. Contentious Tax Procedure: Income Tax for the Year 2012 – File No. 18995-2015.
6. Income Tax Audit Process for Fiscal Year 2014.
7. Contentious Tax Procedure: Mining Royalties 2015 Powerful Mining Company S.A.



GRI
102-45

*(Translation of Financial Statements originally issued in Spanish)*

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

8. Contentious-Administrative Process: Request for Recognition of the Balance in favor Matter of Benefit – RTF No. 03787-1-2019 – Judicial File No. 08500-2019-0-1801-JR-CA-19.
9. Contentious Administrative Process: Income Tax 2009 – RTF N°09780-1-2019 – Judicial File N° 1211-2020-0-1801-JR-CA-20.
10. Contentious-Administrative Process: Payments on account Income Tax 2010 - RTF No. 09781-1-2019- Judicial File No. 1207-2020-0-1801-JR-CA-22.
11. Contentious Administrative Process: Income Tax 2010 - RTF No. 04712-4-2020 - Judicial File No. 6870-2020-0-1801-JR-CA-01.

**B. Legal proceedings**

As of December 31, 2021, there are several claims against the Company pending resolution. Such claims require the payment of a) nullity of an administrative decision for US$ 279 thousand (S/ 1,116 thousand); b) payment obligation for US$ 1,200 thousand; and c) fringe benefits and compensation for breaches of employment rights to former employees of the Company and contractors for US$ 2,433 thousand (S/ 9,726 thousand).

**C. Warranties**

As of December 31, 2021, the Company has the following letters of guarantee and lease guarantees:

- The Company renewed a letter of guarantee with maturity on January 10, 2022 for US$ 28,960.59 thousand, including sales tax, which was granted in favor of MINEM to ensure the implementation of the mine closure plan of the Poderosa Production Unit. (nota 20)

- The Company issued a letter of guarantee with maturity on October 24, 2022 for US$ 209,171.60, which was granted in favor of MINEM to ensure the execution of the projects "138 kV transmission lines in the Lagunas Norte Nueva, LPC II, Cativen I and Cativen II Substations" and "60 kV transmission lines in the LPC II and LPC I Substations."

- The Company renewed a letter of guarantee with maturity on March 13, 2022 for US$ 155,321.83, which was granted in favor of MINEM to ensure the execution of the project "V9D transmission lines in the Nueva Ramada Substation."

- The Company renewed a letter of guarantee with maturity on April 11, 2022 for US$ 456,478 (S/ 1,825,000.00), which was granted in favor of MINEM to ensure the execution of the hydroelectric project for utilization of the water from Lavasen and Quishuar river basins Cativen I and II Hydroelectric Stations.

- The Company renewed a letter of guarantee with maturity on June 22, 2022 for US$ 6,549 (S/ 26,184.18), which was granted in favor of the Provincial Municipality of Pataz to guarantee the timely fulfillment of the supervision of the Exp. And the supervision of the execution of the project "Improvement and Expansion of the Potable Water and Sanitation Service in the Towns of Yurajpaccha, Vaquería de los Andes, Alborada de los Andes, Huarichaca and Huarimarca of the District of Tayabamba - Province of Pataz - Department of La Libertad".

- The Company issued a guarantee letter maturing on June 14, 2022 for up to a total amount of US$ 149,053 (S/ 595,913.26) in favor of the Provincial Municipality of Pataz to guarantee the timely fulfillment of each and every one of the obligations assumed for the execution of the work of the project "Improvement and Expansion of the Drinking Water and Sanitation Service in the Towns of Yurajpaccha, Vaquería de los Andes, Alborada de los Andes, Huarichaca and Huarimarca of the District of Tayabamba - Province of Pataz - Department of La Libertad".

GRI
102-45

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**
Notes to the Separate Financial Statements
December 31, 2021 and 2020

- The Company issued a letter of guarantee with maturity on June 14, 2022 up to the total amount of US$ 1,967 (S/ 7,863.87) in favor of the Provincial Municipality of Pataz to guarantee the timely fulfillment of the Preparation of the Technical File of the project "Improvement and Expansion of the Service of Potable Water and Sanitation in the Towns of Yurajpaccha, Vaquería de los Andes, Alborada de los Andes, Huarichaca and Huarimarca of the District of Tayabamba - Province of Pataz - Department of La Libertad".

- The Company issued a letter of guarantee with maturing on June 6, 2022 was managed up to the total amount of US$ 11,152 (S/ 44,587.23) in favor of the District Municipality of Pataz to guarantee the timely fulfillment of each and every one of the obligations assumed for the execution of the work of the project Creation of the Library park in the town of Pataz.

- The Company issued a letter of guarantee with maturing on September 18, 2022 up to the total amount of US$ 3,181 (S/ 12,715.81) in favor of the District Municipality of Pías to guarantee the timely fulfillment of each and every one of the obligations assumed for the execution of the project " Creation of the Electric Power Service through a 22.9 kV Primary and Secondary Network for the villages of Alacoto, Pamparacra and Pucuchuyo, District of Pías, Province of Pataz – La Libertad"

**D. Commitments**
As of December 31, 2021 and 2020, the Company has a commitment arising from mining concession agreements involving the payment of future royalties—i.e., the exploitation and sale of gold ore is offset against the prepayment made on January 30, 2019 (note 10).

## 38. Subsequent Events
Between January 1, 2022 and up to the date of this audit report (January 31, 2022), no significant events or facts have been identified that require adjustments or disclosures as of December 31, 2021.



GRI
102-45

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**
Appendix
December 31, 2021 and 2020

## Additional Information: Mineral Resources and Proved and Probable Reserves (unaudited)

***Resources and reserves***
The following tables provide information on the Company's resources as of December 31, 2021 and 2020.

A. As of December 31, 2021 and 2020, the Company's mineral resources are as follows:

| | Metric tons | Ore grade | Fine content (kg) |
|---|---|---|---|
| Year 2021 | 1,474,822 | 16.46 grs/ oro | 24,283 |
| Year 2020 | 1,448,884 | 17.10 g/gold | 24,776 |

As of December 31, 2021 and 2020, the processed ore, precipitated mineral and the relevant ore grades are as follows:

| | Metric tons | Ore grade | Fine content (kg) |
|---|---|---|---|
| Year 2021 | 564,914 | 17.89 g/gold | 9,283 |
| Year 2020 | 498,330 | 18.02 g/gold | 8,236 |

B. As of December 31, 2021 and 2020, the Company's mineral reserves are as follows:

| | Metric tons | Ore grade | Fine content (kg) |
|---|---|---|---|
| Year 2021 | 1,398,736 | 16.75 g/gold | 23,422 |
| Year 2020 | 1,296,225 | 17.85 g/gold | 23,137 |

C. As of December 31, 2021 and 2020, the mineral volumes are as follows:

| *Ounces* | 2021 | 2020 |
|---|---|---|
| Production | 298,444 | 264,792 |
| Sale | 297,161 | 265,157 |

**GRI**
102-3

Av. La Floresta No 497. Int. 501.
Urb. Chacarilla del Estanque, San Borja, Lima.
Telephone: (01) 617-2727.

**www.poderosa.com.pe**