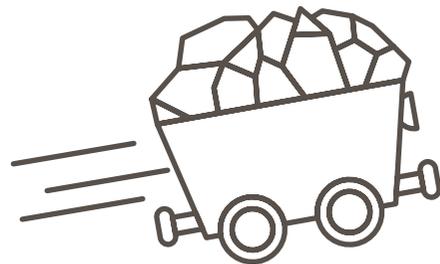




2020  
THE YEAR THAT  
TESTED  
OUR  
RESILIENCE

ANNUAL SUSTAINABILITY REPORT





**PODEROSA**



**ANNUAL SUSTAINABILITY REPORT**

*In memoriam*

**Ing. Agustín Arias Dávila**

(1933-2020)

In March 2020, Mr. Agustín Arias Davila, one of the founders of Compañía Minera Poderosa S.A. and first Chairman of the Board, passed away at the age of 87.

Don Agustín was born in 1933 in the city of Cerro de Pasco. He and his three brothers, (†) Jesús, Alberto and (†) Antonio, inherited the tenacity, the love for the land and the passion from his father, Agustín Arias Carracedo, born in Galicia, Spain, who was recognized as one of the mining pioneers in Peru.

His friends, his family, and everyone who spent time with Don Agustín will remember him for his sensitivity and empathy, as well as for his generosity, integrity, and persevering work spirit.

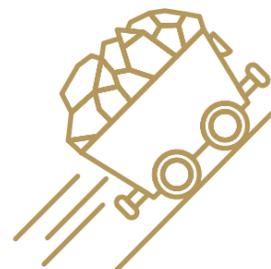
His contribution to mining and his love for our country will continue to inspire future generations.

# OVERCOMING THE 2020 CHALLENGES

**2020 HAS CHALLENGED HUMANITY'S ABILITY TO ADAPT TO AN UNCERTAIN AND UNPREDICTABLE SITUATION.**

Resilience was put to the test. The damages caused by the new coronavirus SARS-CoV-2 (which produces the disease known as covid-19), regarding the number of lives lost and the plummeting of the economy, have impacted the world. Despite this, we never lost our fortitude, our ability to adapt to unfavorable situations, which allowed us to bring out the best in ourselves to face this adversity.

At Poderosa, we trust that this situation will be temporary and that, as a result of the joint effort and our capacity to react, we will overcome and achieve wellbeing for all.



WE MAINTAIN OUR COMMITMENT TO CONTINUE WORKING IN ACCORDANCE WITH OUR VALUES AND PRINCIPLES, SEEKING TO CREATE DEVELOPMENT OPPORTUNITIES FOR EVERYONE IN OUR ENVIRONMENT.



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**2020 Annual Sustainability Report**

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N° 2020-XXXXX

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# DISCLAIMER

This 2020 Annual Report has been prepared under the principles of good faith and transparency, in accordance with the legal provisions in force and pursuant to the Manual for the Presentation of Annual Reports of the Superintendencia de Mercados de Valores (Peruvian Securities Market Superintendence - SMV); therefore, any deficiency

or omission is not voluntary. Pursuant to CONASEV's General Management Order N° 211-98-EF/94.11 and its modifications, we hereby state that "This document contains true and sufficient information regarding the business of Compañía Minera Poderosa S.A. during 2020. Notwithstanding the liability of the persons who have

prepared it, the undersigned are liable for its contents pursuant to the legal provisions in force".

The information contained in this Annual Report cannot be used alone for investment decisions.

**Evangelina Arias Vargas de Sologuren**, Executive Chairperson of the Board of Directors

**Daniel Ricardo Torres Espinoza**, Operations Manager

**Walter Teodoro Martín Díaz Meyzan**, Integrated Management System and Social Responsibility Manager

**Iván Tomás Asmat Salazar**, Accountant General

**Russell Marcelo Santillana Salas**, General Manager

**José Antonio Elejalde Noya**, Administration, Finance and Trade Manager

**Fausto Cueva Castillo**, Geology and Explorations Manager

**Helena Zuazo Arnao**, Head of the Legal Department

At Poderosa we consider our annual sustainability report to be a transparency and communication tool, which informs our stakeholders about the most relevant economic, social, and environmental results of the reporting year. This report has been produced pursuant to the Global Reporting Initiative (GRI) Standards Core Option. The last report (2019) was published in November 2020.

# RELEVANT INFORMATION

## ABOUT THIS REPORT



For the past eleven years, we have designed our sustainability reports pursuant to the GRI methodology. Our former annual reports (2010, 2011, 2012 and 2013) were designed according to GRI version GR3.1; in the 2014, 2015, 2016, 2017, 2018 and 2019 annual reports we applied the criteria of the GRI G4 version.

The period comprised by this report goes from January 1st to December 31st, 2020, it covers the operations of the Marañón and Santa María production units in the Pataz district, La Libertad Region in Peru, and includes the work of the administrative offices and warehouses located both in Lima and in Trujillo. During this period, the changes that have taken place regarding the size, structure, and ownership of the company were the following:

- The General Shareholder meeting held on March 10, 2020, unanimously approved profits distribution for a total of PEN 156'090,000.00, to be debited from the 2018 accrued results..
- In 2020, because of the pandemic, we did not complete the expansion of the Santa María I beneficiation plant to 1,000 MTPD. The work will be resumed in January 2021. We must point out that in 2019 the first stage of the expansion was completed, including the installation of two mills (9.5'x12' y 6'x12'), one thickener (N° 12) and

two agitators (N° 9 and N° 10), with which 800 MTPD were treated since May 2019.

In this report there are no changes or restatements related to mergers or purchases, changes in the years or base periods, business nature or measurement methods.

It is worth mentioning that in 2016, the Board of Directors approved our Sustainability Statement, (see page 47), this document reflects the Senior Management's commitment with our stakeholders.

The electronic version of this 2020 Annual Sustainability Report can be found in [www.poderosa.com.pe](http://www.poderosa.com.pe)



For further information about this report please contact the Social Responsibility and Communications Deputy Management Office, in Avenida Los Faisanes, manzana G, lote 16 A 1, Fundo San Sebastian, zona II, Chorrillos, Lima, Peru; telephone (511) 617-2727, extension 4107; e-mail: [responsabilidadsocial@poderosa.com.pe](mailto:responsabilidadsocial@poderosa.com.pe)



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### MATERIALITY PRINCIPLE

Determining our materiality, as established in the GRI guidelines, allows us to define and analyze the impacts of our activities on the different stakeholders and, thus, to manage them efficiently, set objectives and prioritize our actions with emphasis on sustainability. Pursuant to the GRI standard, that promotes the publication of information focused on the core of an organization, we defined our materiality as “those aspects that reflect the organization’s significant economic, environmental and social impacts that substantively influence stakeholders’ assessments and decisions”.

### MATERIALITY ANALYSIS

Our report publishes the material aspects considered to be important to our stakeholders and relevant to meet our strategic objectives. The first materiality analysis was carried out in 2014 and was updated in 2019. Both processes included the participation of the senior management, line executives, and stakeholders. The process was thoroughly carried out in four stages as described below:

## REVIEW

Information from the mining sector and relevant to the industry was analyzed and compared. Several documents related to our social responsibility strategy such as the Code of Conduct of the Sociedad Nacional de Minería, Petróleo y Energía (National Mining, Oil and Energy Association–SNMPE), Internal Work Regulation, General Policies, Integrated Management System Policies (SIG), and Mission, Vision and Values statement were also reviewed.

## IDENTIFICATION

Under the materiality principle the list of the most relevant topics included in the 2014 was reviewed, and other relevant aspects that could cause significant impacts on the stakeholders or in the company’s value chain were included.

## PRIORITIZATION

A preliminary list containing the material aspects was produced establishing its scope and coverage through the application of the inclusiveness principle and responding to the expectations of the stakeholders.

## VALIDATION

The preliminary list was validated by officers, workers and stakeholder representatives who participated in workshops and responded to surveys. This way, a final list of the reportable material aspects was completed.

### 2020 MATERIALITY VALIDATION

In February 2020, the list of material aspects was updated through a study carried out by KREAB, which assessed the perception of the main stakeholders for each one of the Company’s material aspects. This process included focus groups and in-depth surveys to the company’s stakeholders’ representatives. All the same, we have reviewed relevant updated documents such as the Community Perception Study on our performance, carried out by DCifra S.A.C.; the validation of the Good Corporate Governance Principles 2019; staff recruitment, selection and hiring process; the 2019 Annual Sustainability Report, as well as the Responde report on the document; the 2018 and 2019 Audited Financial Statement reports; and the 2020 Annual Plan which establishes the company’s general purpose (key business performance indicators).

This review allowed revalidating the material aspects selected in 2014 to produce this document.



**MATERIAL ASPECTS, SCOPE AND COVERAGE**

MATERIAL ASPECTS	COVERAGE	STAKEHOLDER GROUP	SIGNIFICANT IMPACT
Economic Performance	Internal	Shareholders and directors, workers, community, Government, suppliers, contractors	Financial results, business opportunities, direct and indirect economic impact
Operations Management: Production	Internal	Shareholders and directors, workers, contractors, Government	Operational efficiency, Sustained production in ounces, Environmental impacts
Occupational Health and Safety	Internal	Shareholders and directors, workers, suppliers, contractors, Government	Occupational health, labor accidents
Materials Management	Internal	Government, community	Possible impact on people's health and on the environment
Water Management	Internal and ex-ternal	Government, community	Possible impact on quality and quantity of water used for the operation's activities
Gas Emissions Management	Internal	Government, community	Greenhouse gas emissions, solids in suspension in the air
Energy Management	Internal	Government, community	Operations continuity, costs reduction
Respect for biodiversity	External	Government, community	Cooperation with public policies for the Abiseo River National Park conservation
Mine closure plan	Internal and ex-ternal	Government, community	Process that may affect people's health and safety, the environment, the surrounding ecosystem, and property
Forestation	External	Government, community	Fostering productive activities, ensure timber supply, mitigation of carbon footprint
Participative monitoring	External	Government, community	Transparency and dialog opportunities to prevent environmental impacts on water sources

MATERIAL ASPECTS	COVERAGE	STAKEHOLDER GROUP	SIGNIFICANT IMPACT
Participative monitoring	External	Government, community	Transparency and dialog opportunities to prevent environmental impacts on water sources
Labor practices and de-cent work	Internal	Shareholders, workers, Government	Safe and healthy environment, compliance of occupational health and safety, staff turnover, job opportunities, diversity and gender equality, child labor, human rights
Community relations	External	Community, suppliers, arti-sanal miners, Government	Sustainable development promotion in our area of influence
Formalization of artisanal miners	External	Artisanal miners, Govern-ment t, community, suppli-ers	Environmental impact reduction, formaliza-tion of the economy, economic results
Supply chain	External	Suppliers	Efficient supply chain, with product and service quality. Boosting of the local economy through job creation, demand for local services and procurement
Anticorruption	Internal	Shareholders, workers, Government, suppliers	Daño reputacional
Innovation	Internal	Workers, Government, suppliers, contractors	Operational efficiency and cost reduction

**MANAGEMENT APPROACH**

The Disclosure Management Approach corresponds to the description of a management approach which provides information on the way an organization analyzes, identifies, and responds to its real and potential economic, environmental, and social impacts. In this year, there have been no significant changes in the scope or coverage of each aspect compared to former reports.

# INDEX



**17 67 93 159 167**

**WE ARE MINERA  
PODEROSA**

**OPERATIONAL  
EXCELLENCE**

**RESPONSIBLE  
MANAGEMENT**

**SUPPLIER  
DEVELOPMENT**

**NEIGHBORING  
COMMUNITIES: OUR  
COMMITMENT TO LOCAL  
DEVELOPMENT**

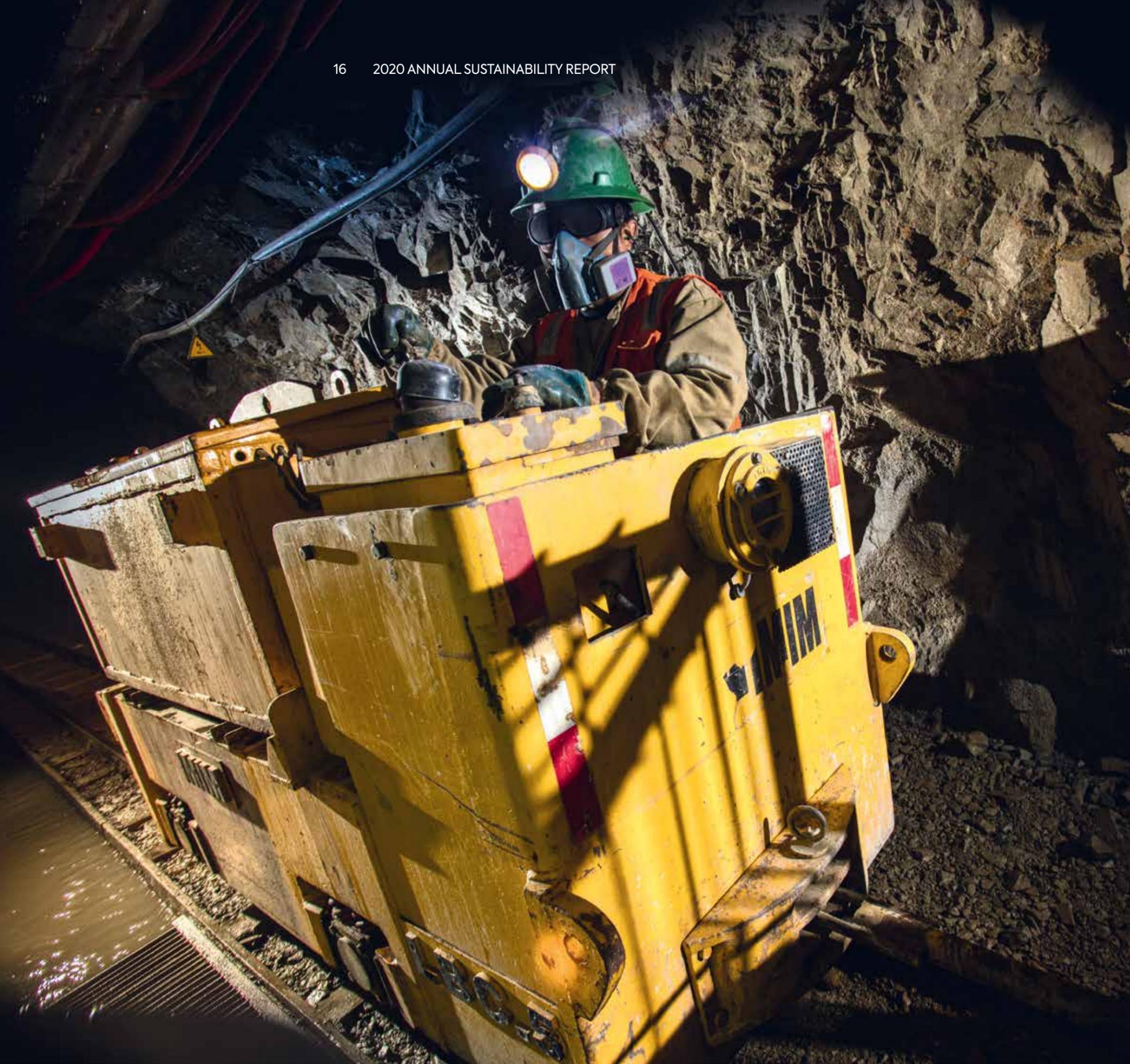
**205 229 311 317**

**ANNEXES**

**FINANCIAL  
STATEMENT**

**INDEPENDENT  
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REVIEW**

**GRI STANDARDS  
CONTEXT INDEX**



# 1

WE ARE MINERA  
PODEROSA



# 1

WE ARE MINERA  
PODEROSA

## CHAIRPERSON'S LETTER

2020 has been a year of many challenges, testing our resilience and, especially, our ability to adapt quickly to new, unfamiliar and changing situations, acting with solidarity and empathy.

One of these challenges has been the covid-19 pandemic, which has affected the entire planet, and Poderosa has been no exception. As expected, this has been the most important impact of the year. We have placed special emphasis on trying to mitigate the impact on the health of our personnel and their families, as well as to support the institutions and people, mainly in our area of influence, and especially the frontline personnel in the fight against the pandemic, during these difficult times. We believe it is our duty to do everything we can, from our role as a private company, to inform, to support, and to protect the people around us. We will continue to do so, and we will emphasize solidarity and the fight to bring the pandemic under control.

With the arrival of covid-19, the Peruvian government

WE BELIEVE IT IS OUR DUTY TO DO EVERYTHING WE CAN, FROM OUR ROLE AS A PRIVATE COMPANY, TO INFORM, TO SUPPORT, AND TO PROTECT THE PEOPLE AROUND US.

severely restricted people transit. This made the movement of our personnel in and out of the unit extremely complicated, affecting our operations. However, despite these difficulties, our employees maintained a very good attitude and understanding of the situation. I would like to thank you for your effort and commitment with the company during these hard times.

The world's understanding about this virus and the availability of tools such as tests and personal protection equipment have increased with the passing of the



pandemic. We did the best we could at every moment, with the knowledge and tools in our hands.

With this base, and to protect our personnel, we established protocols that are constantly being reviewed; in the same way, we provide information to our workers and their families so that they can protect themselves better at home.

One of the main impacts of covid-19 in our operations was the low availability of personnel for production. Our lodging capacity at the mine was not enough to house all our workers according to our social distancing protocols and to the enclosure required to provide the necessary biosafety conditions. This led us to have a smaller number of personnel in the unit while the new temporary and permanent lodging facilities were being built. Camp program and adequation

will enable us to have the necessary personnel in the unit by 2021, following the protocols. As expected, the lack of personnel affected our capacity to reach the production level of the former years. However, our commitment is to care for our personnel's health and safety.

The price of gold reached higher levels than expected because of the pandemic. This enabled us to counter production reduction and to have good economic and financial results in the year. It is expected that, due to the inflation pressure from the

economic stimulus packages that will be implemented worldwide, gold continues to be attractive for investors, and that prices will remain high during 2021.

In terms of safety, our performance improved significantly, for we managed to reduce the accident ratio to 0.03. My congratulations and gratefulness to the team for the efforts deployed; but there is still a long road ahead of us towards the zero-accident goal. Therefore, I ask everyone to continue working safely and taking care of our health.



# 1

WE ARE MINERA  
PODEROSA



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Both illegal and informal mining are growing without control in the country, which represents a serious problem that will worsen as the price of gold rises. Under the extraordinary artisanal mining formalization process, which deadlines have been repeatedly postponed, there are cases in which mining activities become illegal when they violate acquired rights of people and formal miners, invading operation areas, and causing serious damage to property and to the environment. They also affect operational infrastructure

and illegally extract ore from third party concessions. There are even cases of physical aggression and threatening against company workers, as in our case. Companies such as ours are being affected by these illegal activities that increasingly hinder our production year after year. This situation makes it necessary for the Government to fulfill its role.

I cannot help mentioning the difficult political situation that our country has experienced this year, which has generated high levels of instability. I

THE PRICE OF GOLD REACHED HIGHER LEVELS THAN EXPECTED BECAUSE OF THE PANDEMIC. THIS ENABLED US TO COUNTER PRODUCTION REDUCTION AND TO HAVE GOOD ECONOMIC AND FINANCIAL RESULTS IN THE YEAR. IT IS EXPECTED THAT, DUE TO THE INFLATION PRESSURE FROM THE ECONOMIC STIMULUS PACKAGES THAT WILL BE IMPLEMENTED WORLDWIDE, GOLD CONTINUES TO BE ATTRACTIVE FOR INVESTORS, AND THAT PRICES WILL REMAIN HIGH DURING 2021.

must also emphasize that the stability of the country is key to generate the confidence required to make long-term investments, such as investments in the mining sector. In the past decades, despite the difficulties, and thanks to the country's sound macro-economic framework, the Peruvian economy has grown and made important achievements in terms of poverty reduction and better life quality. We must therefore acknowledge that improvements in these aspects were remarkable. However, there are still important gaps to close, mainly in health, education, and infrastructure, in addition to reducing the high rate of informality in our economy. It is necessary for the political situation to stabilize and generate the trust environment required for investment, and thus resume the path of high economic growth and closing of gaps to achieve the development required by our country.

In March 2020, our company suffered a great loss. The first chair of the Board of Directors and founder shareholder, engineer Agustín Arias Davila,

died at the age of 87. We will always remember him for his closeness and empathy with people, as well as for his generosity, integrity, and strong working spirit. His memory will live on in the more than 5'677,000 trees planted in over 4,500 hectares to be forested and reforested in our area of influence, a tradition started by him since the foundation of our company.

Finally, our NGO, Asociación Pataz is an instrumental player for sustainable development, fostering economic development through projects that promote agricultural and forestry advancement and productive chains. We believe in public – private partnerships to achieve goals and we have started the implementation of the Asociación Pataz Social Innovation Center, because we are convinced that social innovation is the road towards closing the gaps in our region.

Even though the results for 2020 year are favorable, we have undergone very hard times due to the domestic and to the international context. I believe that these difficult circumstances are temporary,

and I would like to reiterate our firm commitment to make every effort to overcome them in the best possible way. We will continue to work according to our values and principles, seeking for development opportunities for everyone around us.



Yours sincerely,  
**Evangelina Arias Vargas de Sologuren**

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WE ARE MINERA  
PODEROSA

GRI

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# IT IS TIME FOR SUSTAINABILITY

• Sustainability is a fundamental pillar of business. Year after year, a growing number of companies are introducing more sustainable production systems in their processes, with a clear purpose of improving the society in which they operate and protecting the environment.

Being a sustainable company is a commitment we undertake with our stakeholders, for we are convinced that a company's sustainability improves everyone's future. Thus, we focus on generating positive social impacts and adequate economic results. At the same time, we seek to be a good employer, a good neighbor and to respect the environment.

Since 1980, when our company was established, we have been engaged in mineral exploitation, extraction, processing, and trading. Our focus is underground gold mining, with a middle-size mining approach.



## LOCATION OF OUR MINING PROJECTS

We run our operations in the Pataz district and province, in La Libertad Region, Peru. We do not have assets or affiliates abroad. We have treated gold in this area since 1982 nonstop. Our mining rights comprise 103,018 hectares. We perform out operations in 13,574 ha, and our prospection and exploration work take place in the rest of the land, especially in La Lima, to the North and Suyubamba, South of the production sites.



# 1

WE ARE MINERA  
PODEROSA



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## RELEVANT ASPECTS IN 2020

As of the end of 2020, we had 711 workers in our payroll, and 2,889 workers of related contractors and mining companies. We sold 265,157 ounces of gold and 194,631 ounces of silver for a total amount of PEN 1,663'261,083.81 (USD 475'188,992.34). The production was exported to Canada, where it is refined and later sold to Banks or first-class precious metal traders in the USA.

**711**

WORKERS IN PAYROLL

**2,889**

WORKERS OF RELATED CONTRACTORS AND MINING COMPANIES

**385,559**

NET INCOME (IN THOUSANDS OF SOLES)

**1'196,379**

NET WORTH (IN MILES OF SOLES)



## MAIN INDICATORS

**TOTAL SALES (IN THOUSAND SOLES)**

**1'478,809**  
2019

**1'663,261**  
(USD 475'188,992.34)

**265,157**  
OZ GOLD

**194,631**  
OZ SILVER

**Au** NET PRODUCTION (OZ)

**314,023**  
2019

**264,792**  
2020

**Ag** NET PRODUCTION (OZ)

**233,673**  
2019

**194,631**  
2020

# 1

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PODEROSA

## AWARDS AND RECOGNITIONS

### Asociación de Buenos Empleadores (ABE)

JANUARY Entrepreneur Partner Quality Member - Compliance with the ABE protocol for human resources practices.

### Universidad Nacional de Ingeniería (UNI)

MARCH Team Sponsor "Peru: a research and engineering model " (PUMMI UNII), International Human Exploration Rover Challenge Nasa 2019, AIAA Telemetry/Electronics Award.

### Mexican Center for Philanthropy Promoted by Peru 2021

MAY 2019 Socially Responsible Company Award.

### La Libertad Regional Government and CERX- Executive Committee

NOVEMBER 2020 Exporter. To its active participation in public – private partnerships, such as Creeas regional development agency, and to its contribution in social innovation topics such as Asociacion Pataz.

### AOTS

ABRIL 2021 5S National Award 2020 - Gold Award - Maranon and Santa Maria production units

5S National Award 2020 - Diamond Award - Marañon and Santa Maria Production Unit (awarded to companies that have received three opportunities the recognition of gold medal)

## VISION

TO BE THE COMPANY YOU CAN  
FEEL PROUD OF WORKING WITH

## MISSION

TO RESPONSIBLY TRANSFORM  
OUR MINERAL WEALTH INTO  
DEVELOPMENT OPPORTUNITIES



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WE ARE MINERA PODEROSA



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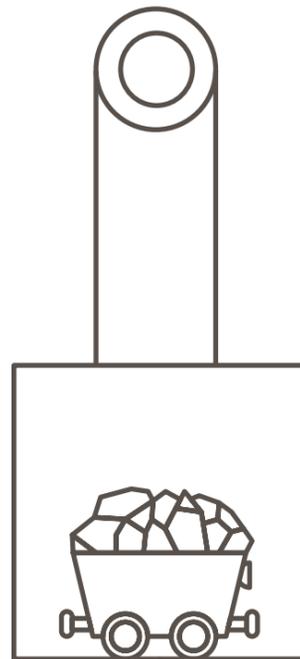
# OUR KEY PRINCIPLES AND VALLUES

**SAFETY AND SECURITY**  
We take care of our lives, our health, and our welfare and that of our colleagues.

**RESPONSIBILITY**  
We are proud of our work, and responsible for our results. We are not afraid of making mistakes, we correct each other, and we improve every day.

**TEAMWORK**  
Together we find the best solution and results. We are not arrogant, and we respect other people's ideas.

**RESPECT**  
We treat others as we want to be treated. We walk our talk. We comply with the law, and we care for nature.



**INTEGRITY**  
We are honest and fair; we act ethically and correctly.

**PRODUCTIVITY**  
We are committed to produce more, in a better way and through adequate use of our resources. We respond and adapt easily to change.

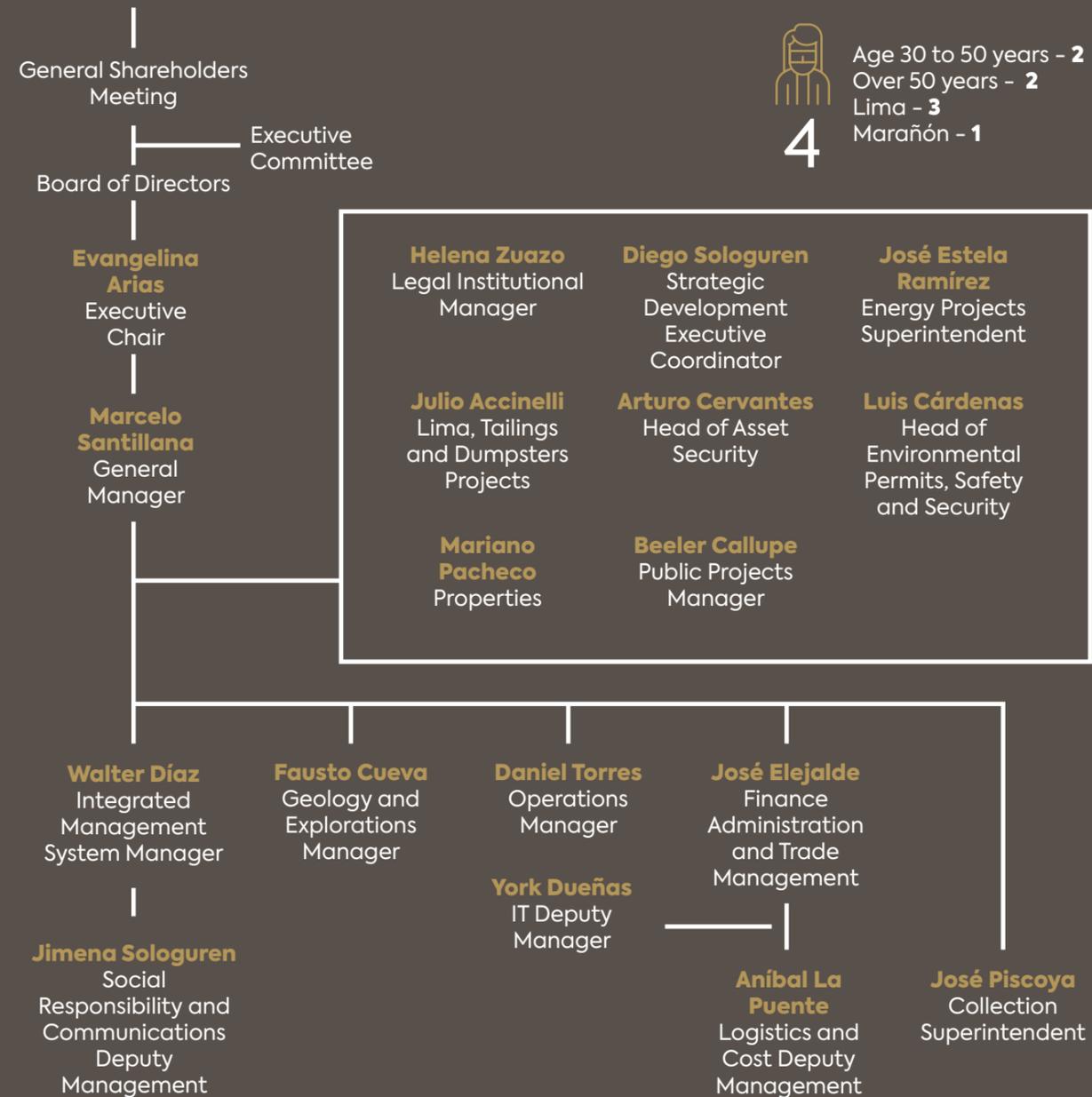
**LEARNING AND TEACHING**  
I ask if do not know something, and I share what I know.

## OUR ORGANIZATIONAL STRUCTURE 2020

### OFFICERS PER GENDER AND AGE

**15**  
Age 30 to 50 years - 4  
Over 50 years - 11  
Lima - 6  
Marañón - 8  
Santa María - 1

**4**  
Age 30 to 50 years - 2  
Over 50 years - 2  
Lima - 3  
Marañón - 1



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WE ARE MINERA  
PODEROSA



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## MAIN IMPACTS, RISKS AND OPPORTUNITIES

On March 14, 2020, a national emergency state was declared because of the pandemic caused by the SARS-CoV-2 virus, which disrupted the entire operating plan for the year and impacted our operations in different ways. Biosafety measures had to be implemented to reduce virus spreading in the mining unit, and we had to overcome the logistic difficulties during the strict lockdown months in our country. In addition, the activities of informal miners and miners undergoing formalization caused losses and significant damages to our operations.

However, this context favored the price of gold, which was quoted at USD 1,771 per ounce (USD 1,393.82 in 2019) in average. This brought about a USD 32'586,329 sales increase.

A crisis committee was set up to deal with the pandemic. Special measures were taken to prevent spread, such as covid-19 testing program and quarantines. Also, social distancing was applied in the units and remote work was implemented for the staff that could work from

home. Unfortunately, due to the low reliability of the tests available at the beginning of the pandemic in our country, and despite our best efforts, some of our staff got the virus. We will continue to work to improve our processes and to have a safe and healthy working environment.

Physical distancing measures reduced our accommodation capacity.

We stopped using the hotels in the neighboring communities to create a social bubble inside our operations. We also applied new housing regulations, reducing the capacity of

THIS CONTEXT FAVORED THE PRICE OF GOLD, WHICH WAS QUOTED AT USD 1,771 PER OUNCE (USD 1,393.82 IN 2019) IN AVERAGE. THIS BROUGHT ABOUT A USD 32'586,329 SALES INCREASE.

the existing camps. These measures resulted in less staff at the unit, and therefore, less works executed. To counter this situation, more camps were built with adequate biosafety conditions. We increased accommodation capacity from 1,840 to 2,576 people in the unit, and we hope to add 1000 additional beds during 2021. These measures demanded a total investment of more than USD 5'800,000.

The lack of personnel forced us to prioritize some tasks and delay the less critical ones. Exploitation was prioritized and progress works were reduced. Our production was 264,792 ounces of gold compared to 314,023 ounces in 2019, and 27,353 m were executed, compared to 48,009 m in 2019. Our continuous investment in exploration provided flexibility, and we expect to continue during the following years and to have the ease that we used to have before the pandemic.

This situation revealed the country's enormous deficiency in public health, especially in the most remote areas, such as our area of operation. In this regard, Poderosa, through Asociacion Patataz, the NGO founded by



the company, and through other institutions such as the SNMPE channeled donations to fight against covid-19, supporting the local health clinics and the hospitals in the region. The company allocated more than USD 500,000 to build oxygen plants, purchased rapid diagnostic tests, and personal protection equipment, contributed to research and helped the most needing people, among other actions.

### ILLEGAL MINING

The national health emergency and the economic crisis generated by the pandemic, together

with the increase in the international price of gold and the absence of Government presence, have led to a considerable increase in illegal mining, as well as armed crime and organized gangs from different parts of the region. This is considerably affecting the normal development of the company's operations and is threatening the life and physical integrity of our workers, besides causing damage to the company's infrastructure and projects, putting at risk the safety and stability of the rock mass, causing loss of mineral resources and environmental pollution.

Despite our constant efforts to report these facts and inform

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WE ARE MINERA  
PODEROSA

the competent authorities, in 2020, 40 connections were excavated (illegal tunnels that connect to our mining works) and 47 entries of armed thieves (parqueros) were reported. The company has pressed charges against them, but they have not been convicted. Consequently, we have implemented a plan to block illegal mining connections, to prevent the entrance of armed thieves. This represents a significant cost increase, which hinder the company's results and as a consequence, the government's tax share.

This unfortunate situation also affects the small formal or artisanal miners who are undergoing formalization, and with which we work for many years in a legal and peaceful manner in the areas assigned for this work. The actions of illegal miners do not discriminate, and impact hundreds of families and individuals who make a living from this type of mining.

Hemos sido rigurosos en We have been rigorous in communicating and informing the authorities, both local and regional, as well as the central government, on several occasions, about these problems and the prevailing impunity that exists in the area due to the absence of the Government. All the same, we have restated our position about the problems that we face due to the lack of regulation and control to formalize artisanal miners and to respect the mining concession regime and the principle of legal certainty.

Although there are still no signs of change, we will continue to do every effort we can to guarantee the continuity of operations and use all legal and formal mechanisms to protect our mining concessions and enforce respect for property rights and freedom of enterprise.

# 40 YEARS



## OF PRODUCTION - HISTORIC EVOLUTION

In 2020 we will celebrate forty years of non-stop operations. As of the end of the year, we have extracted 3'872,261 ounces of gold and treated 8'920,433 tons of ore, and as of that date, the historic grade of the field has been 14.58 grams of gold per metric ton (g/t).

**GOLD EXTRACTED**

# 3'872,261 oz

**TREATED ORE**

# 8'920,433 t

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PODEROSA



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## RESERVES

The efforts made by the geology area allowed a 3% increase in mineral resources compared to the former year, these reached 796,571 oz gold contained in 1'448,884 tons of ore. All the same, the mineral potential of the veins recognized in the Pataz Batholith, both in the surface as inside the mine and from Lima ravine; to the North to River La Caldera (Ongon District), South, reached 8,5 million ounces of gold.

**796,571 oz**  
gold contained in  
1'448,884 t ore.

## PRODUCTION

Ore coming from Marañon (18.8%), Santa María (55.2%) and collection sites (26%) were treated. The collected ore comes from artisanal miners who are undergoing formalization processes and who operate in our mining concession.

This way, 498,330 t were processed in Marañon and Santa María I processing plants, accounting for 85% of the programmed amount. The average ore grade was 18.02 g/t, and 91.58% of gold content was recovered, which allowed producing 264,792 oz of fines (85.9% of the programmed amount).

**498,330 T**  
of ore processed



## PERMITS

We have all the necessary permits and updates for the operations of the Livias tailings, for Marañon and Santa María I plants, which have been in operation for 19 years now.

## ARTISANAL MINING

After completing burdensome procedures, and amid the restrictions due to the pandemic, only 38 informal miners were formalized by the end of 2020. Given the current situation, we believe that it will be very hard to formalize more artisanal miners working under contract in the year 2021.

## ENERGY

The energy projects were evaluated, considering the different variables such as property, easements, and Project costs. We completed the interconnection of our operation with the Pampa Honda substation, in the Cajabamba area. It is the most viable project, and it will take three years

to complete. In addition, profiles were designed to use photovoltaic energy and we expect that in two years, we can complete this with 3 MW to 5 MW power. Later, we will start with the hydroelectric power stations

## SAFETY AND SECURITY

In 2020 we exceeded our mining safety and security indicators. We had no accidents with human casualties and injuries fell by 25%, therefore the accident rate was 0.03 in a complicated year due to the presence of covid-19. These results are due to line management leadership throughout the organization and to the emphasis placed on determining our protocols for personnel entering and leaving the mine to control virus spread. As of the end of the year, we had 85% of the work force in the mine to meet the objectives, which had to be reformulated. We firmly reiterate our commitment to the health and safety of our workers under the slogan "Health and safety, well-being for all".

## CERTIFICATIONS

We are the first mining company in Peru to receive the ISO 37001 anti-bribery certification. We firmly believe in transparency, therefore, since 2015 we participate in the Extractive Industry Transparency Initiative (EITI), which provides information about payments made by extractive industries to the Government, so that any person can verify adequate accountability and that the resources obtained through these activities foster development. This, together with our own ethics code, which strengthens the 5S philosophy (sort, set in order, shine, sustain and self-discipline), and the continuous improvement circles, applied to all our processes; added to our ISO certifications, will turn Poderosa into a highly competitive company, with low costs and strong social responsibility.

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WE ARE MINERA  
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## CORPORATE AND LEGAL INFORMATION

Our purpose is to develop mining activities, in general. This economic activity, according to the International Standard Industrial Classification (ISIC), established by the United Nations, corresponds to section B, division 07, extraction of metallic minerals, group 072, class 0729. It has an indefinite duration.

Poderosa was incorporated before Notary Dr. Gaston E. Barboza Bezada, Notary Public of Lima, through a notarial recorded instrument

dated May 5, 1980, registered on page 395, volume 24 of the Registry of Mining Corporations of the Public Registry of Mines. On January 7, 1999, Poderosa adjusted its bylaws to the new General Corporations Act, before Notary Public of Lima, Dr. Ricardo Fernandini Barreda. This adjustment was recorded on entry 75 of file 24395 of the Book of Corporations and Other Legal Entities of the Public Registry of Mines. On June 9, 2008, the bylaws were totally modified before Notary Public of Lima, Dr. Jorge Orihuela Iberico, and registered in page B 0002 of the electronic file 01204769 of the Registry of Legal Entities of the IX Registration Area – Lima Office.



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## PERMITS, APPROVALS AND AUTHORIZATIONS

We reaffirm our commitment to comply with domestic and international standards and regulations that govern our activity. ANNEX 3 includes a list of permits, approvals, and authorizations that we have obtained, and which allow us to operate in harmony with our surroundings, government institutions, society, the environment, and other stakeholders



## ACTIVE PARTICIPATION IN THE INDUSTRY AND SOCIAL ORGANIZATIONS

We are an active member of unions, institutions and civil society organizations linked to the mining industry or that share objectives like ours, and that fight for the development of our activity and the well-being of society.

As a member of the SNMPE, we actively participate in several of its committees and have adhered to its code of conduct. In addition, we are member of the Peru 20201 Trust, an organization that promotes social responsibility practices at corporate, government and citizenship level. We are also part of the following institutions:

- Peruvian Canadian Chamber of Commerce
- Mining Safety Institute (ISEM)
- Lima Chamber of Commerce
- La Libertad Chamber of Commerce and Production
- Pro Libertad Business Group
- Peruvian Mining Engineers Institute
- Universidad Nacional de Ingenieria (UNI) Trust

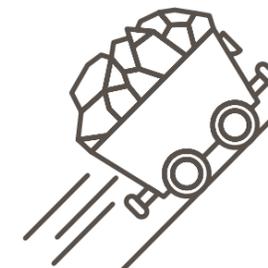
- Asociacion para el Progreso de la Direccion (APD)
- Asociacion de Buenos Empleadores (ABE)
- Soluciones Empresariales contra la Pobreza (SEP)
- Alianza para Obras por Impuestos (Aloxi)
- Mining innovation Hub
- Comite Regional de Empresa, Estado, Academia y Sociedad (Creeas-La Libertad)
- Sociedad Nacional de Minería, Petróleo y Energía (SNMPE)
- We firmly reiterate our commitment to the health and safety of our workers under the slogan "Health and safety, well-being for all". Peruanos por la Integridad-IPAE

According to our possibilities, we contribute to the sustainable development of our area of influence, the region, and the country. At a local level, we participate and work together with the regional government through agreements with its management areas (health, education, etc.) and we conduct works for taxes programs; we work with the provincial government,

through a framework agreement and with the district governments through agreements to perform development projects sponsored by Asociacion Pataz or through our Community Relations Office.

Poderosa has not adhered to any external sustainability or social responsibility initiatives. However, our sustainability statement, policies, principles, and management systems are aligned with global initiatives or guidelines in force. Also, we have received ISO 9001, 14001, 18001 and 37001 certifications issued by SGS and OSHA. At the same time, Asociacion Pataz works in line with the Sustainable Development Goals established by the United Nations Organization (UN).

WE ARE AN ACTIVE MEMBER OF UNIONS, INSTITUTIONS AND CIVIL SOCIETY ORGANIZATIONS LINKED TO THE MINING INDUSTRY OR THAT SHARE OBJECTIVES LIKE OURS, AND THAT FIGHT FOR THE DEVELOPMENT OF OUR ACTIVITY AND THE WELLBEING OF SOCIETY.



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## MARKETS AND CLIENTS

We produce dore bars made up of approximately 55% gold, 40% silver and the rest is made up of other metals. During 2020, 100% of our production was sent to a refinery in Canada, which is LBMA certified, to obtain bars with the London Good Delivery seal, the most appreciated quality standard of precious metals. Once the bars are refined their content is 99.99% gold. In 2020 our production was sold in New York and Canada. In April, one of our main customers, Scotiabank New York, left the precious metals market.

The pandemic affected our production; therefore, 263,000 oz of gold and 194,631 oz of silver were produced, a lower result than that programmed for 2020. Of our total sales, 99.12% corresponded to fine ounces of gold and the balance to fine ounces of silver. On the

other hand, the pandemic also impacted the gold price. The great uncertainty and the serious deterioration of the world's economies spurred demand for gold as a haven. The price of gold increased by more than 25% throughout the year compared to the previous year. In August 2020, the price of gold reached historic records of USD 2,063.55 per ounce. The average price in the international market was USD 1,171 per ounce and the average price we obtained was USD 1,777.

In accordance with the company's policy of focusing on our clients, we develop annual surveys to measure their satisfaction, and to be able to adapt to their needs and requirements. We also maintain a close relationship and constant communication with them. The survey results or any other

concern or request from our clients are shared with the corresponding areas, to work jointly to respond in a fast and effective manner. The results of the customer and refinery satisfaction surveys for 2020 showed 100% satisfaction, which encourage us to continue working to keep our high service and production standards.

### INTERNATIONAL OUTLOOK

The world economy suffered one of the biggest blows in recent times, caused by the covid-19 pandemic. In December 2019, the first infections began in China and in March 2020, most countries implemented very restrictive quarantines to contain mass infections. These measures brought about serious consequences such as company bankruptcy,

increase of unemployment and poverty. The central Banks supported their economies through subsidies, bonuses and expansive monetary policies, among other measures. Market volatility, uncertainty and the challenges posed by the crisis produced serious effects on the variable and fix income markets. The International Monetary Fund (IMF) forecasts a 4.40% contraction of the global economy for 2020. It also projects a 5.8% decline for



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developed economies, a 3.3% decline for emerging economies as well as a 10.4% reduction in global trade volume.<sup>1</sup>

A lower metal production worldwide strengthened the price of most base and precious metals. The London Metal Exchange index, the world's leading metals trading exchange, which tracks the price of six metals, accumulated a 21% gain in 2020. Among the best performing metals during 2020 are gold and copper, which prices gained 25.12% and 25%, respectively. China imported large amounts of copper during 2020. On the other hand, the uncertainty caused by the pandemic, the low interest rates, and



the economic buffer plans of governments to support their economies strengthened the price of the metal considered as a hedge against volatility<sup>ii</sup>. Gold quotation peaked USD 2,063.55 per ounce in August. The average gold spot price was USD 1,771.221 during 2020, recording its minimum level in April, USD 1,471.25. Metal prices in general reached lows in March, but then accumulated gains during the year. Announcements of economic shutdowns, progress on covid-19 treatments and vaccines, economic stimulus announcements and the U.S. dollar quotation had a strong impact on the volatility of base and precious metals prices.

A LOWER METAL  
PRODUCTION  
WORLDWIDE  
STRENGTHENED  
THE PRICE OF MOST  
BASE  
AND PRECIOUS  
METALS.

The U.S. Dollar index was closely monitored by investors during 2020. This index is the U.S. currency's main benchmark against six other global currencies. The U.S. Dollar showed a very volatile behavior during 2020, for it dropped 7%<sup>iii</sup> during the year. The trajectory of the dollar index was inverse in most cases to the price of gold and copper. The Euro also showed volatile behavior during 2020, as it accumulated setbacks during the first half of the year; but recovered against the US Dollar in the second half of the year. The average quotation was 1.1420 U.S. Dollars per Euro during 2020, reaching a peak of 1.2216 U.S. Dollars per Euro in December<sup>iv</sup>.

The stock markets, as the currencies and metals, suffered great losses in March

2020 when the situation of the covid-19 spread worsened around the world. Despite the strong setbacks and the severely beaten world economic situation, the main stock exchanges managed to recover and even accrued gains during 2020. The stock exchanges that showed best results were the US ones, with the S&P index, for they accrued earnings of 15% and the Nasdaq technologic index gained 42% in the year.<sup>v</sup> The British stock Exchange, on the other hand, fell 14% during 2020 and the Spanish stock exchange dropped 14.5% with respect to the previous year. The Nikkei index posted gains of 18%. This placed it among the ten best-performing stock indexes in 2020.

The IMF projects the global economy will recover during 2021 and grow 5.2% during the year. Its forecast is that the GDP of the developed economies will recover by 3.9% with respect to 2020, and emerging economies at a rate of 6%. In the case of Latin America, the recovery is expected to be below world average, therefore growth is projected to reach around 3.6% in 2021.<sup>vi</sup> The effect of the pandemic will affect the progress achieved since 1990 regarding global poverty reduction and will bring

about greater inequalities. Its consequences will continue to be felt at least through 2021. Progress about treatment and vaccination of the population will be very important in order to resume pre-pandemic growth and emerge from the recession. Governments will have to continue to support the hardest hit sectors to avoid further job losses.

<sup>1</sup> International Monetary Fund, World Economic Outlook, Oct 2020

<sup>2</sup> Bloomberg Finance LP

<sup>3</sup> <https://es.fxmag.com/articulo/la-implosion-del-dolar-estadounidense-usd-comienza-en-2021-mientras-los-mercados-financieros-mundiales-mejoran>

<sup>4</sup> Bloomberg Finance LP

<sup>5</sup> <https://www.bbc.com/mundo/noticias-55536375>

<sup>6</sup> Idem.

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WE ARE MINERA  
PODEROSA**DOMESTIC  
OUTLOOK**

Peru was one of the countries in the world with the highest level of infection despite strict isolation measures at the beginning of the pandemic in March. These measures, in turn, posed major challenges for the Peruvian economy, which was hard hit relative to the rest of the world. In 2020, Peru suffered the greatest economic contraction in the past hundred years. The Peruvian Central Reserve Bank (BCRP) projects a 11.5%<sup>vii</sup> GDP fall in 2020, mainly affected by a contraction in private and public investment (20% and 18%, respectively), compared to 2019. All the same, the fiscal deficit increased by 8.6% over the previous year. The BCRP intervened in the market to reduce the cost of financing to support the economy and avoid greater Exchange rate volatility.

All the same, the primary and non-primary industries were mostly accountable for the fall in the 2020 GDP. The only sectors that showed an improvement compared to 2019 were agriculture and fishing. The sectors with greater setbacks were mining, metallic, hydrocarbons,

manufacture, construction, and services<sup>viii</sup>.

Mining and metallic production in Peru, which was strongly hit by the effect of the pandemic, dropped 14.1% during 2020<sup>x</sup>. Most mining companies had to reduce their investments and production plans. On the other hand, copper extraction increased due to larger production by Cerro Verde, Antapacay and Antamina. All the same, zinc production rose during 2020.

The exchange rate followed the volatile trend of the rest of the countries in the region. On the other hand, in addition to the uncertainty derived from the pandemic, two important political crises occurred: the vacancy of President Martín Vizcarra and

MINING AND  
METALLIC  
PRODUCTION IN  
PERU, WHICH  
WAS STRONGLY HIT  
BY THE EFFECT  
OF THE PANDEMIC,  
DROPPED  
14.1% DURING 2020.

the resignation of President Manuel Merino. These events led to an historic exchange rate peak in November, 3.667 per U.S. Dollar. During 2020, the average exchange rate was PEN 3.618<sup>x</sup>, finally closing the year in PEN 3.494.

The pandemic also affected the import and export flow. The surplus registered in 2020 was lower than in 2019, affected by a reduction of mining and hydrocarbon exports. In general terms, there were less exports than in 2019 in every sector, mainly the traditional ones, with a 19.2%<sup>xi</sup> drop. Imports were also reduced due to a fall in internal demand for capital goods, consumer durables and a fall in oil prices.

Accrued inflation rate in 2020 was within the BCRP target range, which forecasted 2% for 2020<sup>xii</sup>. Greater expenditure in sanitary control and food contributed to the inflation accrued result. On the other hand, excluding food and energy, the projected inflation rate for 2020 is estimated at 1.78%, lower than the 2019 accrued rate.

On the stock exchange side, the amount dealt in the Lima Stock Exchange was similar to the volume traded

in 2019. The only index in the Lima Stock Exchange which accrued gains was SV/Peru Select, with a 3.76% increase compared to the previous year. The S&P/BVL Lima 25, index that represents the shares of the most liquid companies listed in the Lima Stock Exchange dropped 2.15% compared to 2019. All the same, the SP/BVL IBGC index, which follows up the companies committed with good corporate governance, experienced an 11.6% fall with respect to the previous year. At a sector level, the index associated to mining companies was the only one to accrue gains during 2020, with a 28% variation compared to the previous year. Among the most affected sectors are financial, industrial and construction, which plummeted 12.35%, 9.74% and 7.73%, respectively<sup>xiii</sup>.

BCRP projects 11.5%<sup>xiv</sup> growth for 2021, because of better trade terms and due to the statistic effect with respect to 2020. High metal prices are expected to continue during 2021, for most countries around the world will implement public spending plans to reactivate their economies. All the same, monetary policies to support our economy, badly

beaten by the pandemic, will be maintained through 2021. Rates are expected to remain low through 2021 and public investment is expected to show strong growth. Given that this is a presidential election year, the strongest recovery is expected to occur in the second half of 2021.

<sup>7</sup> Inflation Report by the Peruvian Central Reserve Bank, December 2020

<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Bloomberg Finance LP

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Stock Market Report December 2020, Lima Stock Exchange

<sup>14</sup> Ibid

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## OUR SOCIAL RESPONSIBILITY APPROACH

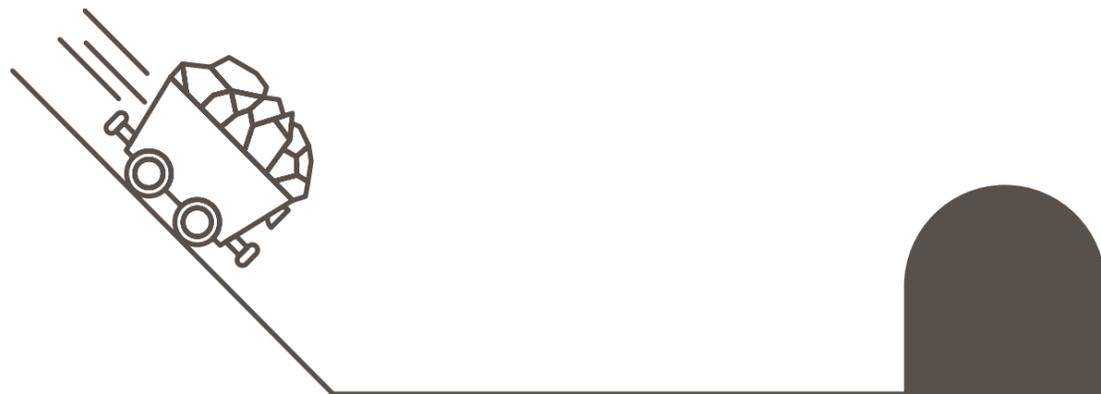
The sustainability concept is present in our company foundations and business strategies; it is a cross cutting pillar in our organization. It provides us with a coherent baseline to carry out our activities with ethics and responsibility.

Operational excellence and security guide our work, within the legal framework and with moral solvency, with a social and environmental responsibility approach

inside and outside our company, which allows us to consolidate the trust of our stakeholders.

Every business practice and that of our workers or representatives before any institution must comply with our code of ethics and behavior and must follow our compliance, security, occupational health, environment, and quality policies established under our principles listed below.

WE BELIEVE THAT IT IS OUR OBLIGATION TO BE A SUSTAINABLE COMPANY, BY ACHIEVING POSITIVE SOCIAL IMPACTS AND ADEQUATE ECONOMIC RESULTS.



## SUSTAINABILITY STATEMENT



**PODEROSA IS MAINLY A GOLD PRODUCING MINING COMPANY**, committed to the development of its stakeholders. To this purpose, we believe that it is our obligation to be a sustainable company, by achieving positive social impacts and adequate economic results. We are committed to working ethically and under the good corporate governance principles, to be a good employer, a good neighbor and to respect the environment.



**WE BELIEVE THAT IS URGENT THAT OUR STAKEHOLDERS TRUST US**, therefore it is absolutely necessary that we work under the legal framework and with moral solvency. We commit to work transparently, to abide by clear policies, to condemn any kind of corruption, to act against asset laundry, and to reject forced and child labor.



**WE BELIEVE IN BEING A GOOD EMPLOYER.** To achieve this goal, we provide a safe working environment, decent camp sites, adequate infrastructure, competitive salaries, and a healthy working environment. We promote respect, teamwork, productivity, continuous improvement, knowledge exchange and innovation.



**WE BELIEVE IN BEING A GOOD NEIGHBOR.** We treat the communities with respect, and we contribute to local development by promoting, within our possibilities, the advancement of the economy, education, health, and governance within our area of influence.



**WE BELIEVE IN SUSTAINABLE AND RESPONSIBLE USE OF NATURAL RESOURCES.** Although every human activity has an impact on the environment, we are committed to prevent, reduce, and mitigate any negative impacts that we generate.

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## MANAGEMENT POLICY

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### POLÍTICA DE GESTIÓN

We are mainly a gold producing mining company, committed to responsibly transform our mineral wealth into development opportunities. We seek the sustainability of our operations, in this regard, we are committed to:

- To focus all our efforts to fulfill our vision, mission, sustainability statement, established principles and values and the achievement of our strategic objectives.
- Show visible leadership of the line of command with responsibility in safety, health, occupational health, environmental management, and process quality.
- Acknowledge our stakeholders, their needs, and requirements, seeking their satisfaction and helping them to manage their own development.
- Develop teamwork through continuous improvement circles and the practice of the 5S methodology for its application in the daily work.

- Continuously improve the Comprehensive Management Systems' performance.
- Comply with the applicable legal framework and other voluntarily established requirements, in every activity carried out by our organization.
- Communicate and explain our policies to every person working with Poderosa or on its behalf and inform them to our stakeholders.

### QUALITY POLICY

To develop efficient processes, products and services that are part of a responsible production chain, together with our workforce, to meet the expectations of our stakeholders.

### ENVIRONMENTAL POLICY

Protect the environment, preventing, reducing and mitigating the negative impacts we cause.

Promote responsible and sustainable use of natural resources, for our products' life cycle perspective.

### ✓ OCCUPATIONAL HEALTH AND SECURITY

Prevent all type of work-related injuries, illnesses, and accidents, by identifying the hazards, assessing and controlling risks in our processes.

Promote workers' participation and consultation to keep safe working conditions and facilities.

Rev. 06  
March 2018

Mrs. Evangelina Arias Vargas de Sologuren  
Chair of the Board of Directors

Engineer Russell Marcelo Santillana Salas  
General Manager

### COMPLIANCE POLICY:

We are mainly a gold producing mining company, committed to responsibly transform our mineral wealth into development opportunities. We seek the sustainability of our operations, in this regard:

We reject and prohibit any act of corruption, including bribery, collusion, and the trafficking of influences, as well as any act that qualifies as asset laundering or terrorism financing in any form, whether direct or indirect, through an agent or business partner, whether in relation to a public official or an individual.

We therefore commit to:

- Meet the requirements of the Compliance

- Management System and seek continuous improvement.
- Comply with the applicable legal framework regarding bribery, collusion, trafficking of influences, asset laundering and terrorism financing prevention.
  - Promote ethical behaviors among our stakeholders, according to the Code of Ethics and Conduct and encourage the raising of concerns and complaints in good faith, based on a reasonable belief of confidence and without fear of reprisal, ensuring confidentiality.

Furthermore, in order to ensure the correct establishment, maintenance and enhancement



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of the Compliance Management System, the Social Responsibility and Comprehensive Management System Manager has been appointed as Compliance Risk Prevention Officer, with the authority and guarantee of Independence to exercise his functions and reporting to the Ethics Committee and Board of Directors' Good Corporate Governance.

Failure to comply with this policy will result in the application of sanctions included in the disciplinary regime of the Internal Labor Regulations for employees and penalties or commercial

termination with contractors and suppliers as appropriate.

**January 2020  
Rev. 01**

Engineer Marcelo Santillana Salas  
General Manager

Mrs. Evangelina Arias Vargas de Sologuren  
Chair of the Board of Directors



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- Pursuant to the GRI we define “stakeholder”, as follows:
- “Entity or individual that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives”..

# STAKEHOLDER PARTICIPATION

The sustainability of our activities also depends on building relationships of trust and establishing commitments with our stakeholders. In this sense we involve our stakeholders before starting a project and we continue this relationship throughout the operation’s life cycle. Based on a series of principles, we recognize the commitment to our stakeholders, and we promote dialog and communication

with them, responding to their expectations and fostering friendly relationships based on trust and transparency.

We have identified our stakeholders through an external and internal environment analysis of our organization. To this end, we have used mapping and perception studies, which also provide inputs for adequate relationship management with them.

## STAKEHOLDERS I

DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS	COMPANY STRATEGY
<b>SHAREHOLDERS: MAJORITY - MINORITY</b>				
They own the company's assets..	To create increased economic value for the majority and minority shareholders.	<ul style="list-style-type: none"> <li>• Important events</li> <li>• Annual shareholders meeting</li> <li>• Web site</li> <li>• Annual Report</li> <li>• E-mails</li> <li>• Telephone</li> </ul>	Company's economic and sustainable development results. Occupational health and safety approach. Exploration, reserves forecast and operations development. Anticorruption practices.	We work hard to meet the goals set out in the annual plan, even in adverse scenarios such as the one experienced in 2020. We adapt to changes in an agile manner. We fully comply with and respect our code of ethics and conduct as well as our compliance policy.
<b>WORKERS: WORKMEN - EMPLOYEES - OFFICERS</b>				
Those who carry out daily tasks, from strategic management down to operations.	To respect individuals and their professional development. Furthermore, to provide a safe working environment, to watch over the health of our workers and to voluntarily comply with international standards, such as OHSAS 18001.	<ul style="list-style-type: none"> <li>• Daily intranet</li> <li>• Batolito (biannual) and special newsletter (bimonthly)</li> <li>• E-mails</li> <li>• Periodic meetings</li> <li>• Bulletin boards updated once a week</li> <li>• Suggestion box</li> </ul>	Life quality improvement within the company, Pleasant working conditions and an enjoyable corporate environment, Good company economic performance and sustainability, Compliance with occupational health and safety standards.	We work hard to meet the goals set in the annual plan to retain talent and generate a sense of belonging to the Poderosa family.
<b>SUPPLIERS: LOCAL - DOMESTIC - FOREIGN</b>				
The companies or organizations providing products or services to the company.	To advise small and the most vulnerable suppliers in business management matters, to recognize their right to progress, and to help them become agents of their own development.	<ul style="list-style-type: none"> <li>• E-mails</li> <li>• Periodic scheduled meetings</li> <li>• Visits</li> <li>• Telephone</li> </ul>	Timely payments. Growth and continuous development opportunities, company innovation practices that can improve goods and services supply and quality.	We consider our suppliers to be our strategic, therefore, we seek to establish long term relations under such conditions that help us develop and grow.

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DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS	COMPANY STRATEGY
<b>COMMUNITY: COMMUNITIES IN THE DIRECT AREA OF INFLUENCE -COMMUNITIES IN THE INDIRECT AREA OF INFLUENCE</b>				
The communities and authorities directly or indirectly related to the company's operations. Civil society organizations and local and regional governments are also included.	To respect people and to contribute, within the scope of our operations, to the development of individuals, communities, and Peruvian progress. To recognize our stakeholder's right to progress, and to help them become agents of their own development.	<ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Perception studies (biannual)</li> <li>• Community Batolito (quarterly) and special newsletter (annual)</li> <li>• Radio</li> </ul>	Community and population development and welfare. Improvement of their roads, entrepreneurial and employment opportunities, increased products yield, and sales, water quality and quantity.	Under our good neighbor approach, our Community Relations team and Asociacion Patataz, NGO founded by Poderosa, execute comprehensive development projects through different modalities (alliances, works for taxes, financing, among other).
<b>GOVERNMENT</b>				
Group of national, regional, and local organizations directly or indirectly related with our activity.	We generate economic value and development for the country through the taxes we pay, and we carry out our activities respecting the laws and regulations that govern our industry.	Through the conducts established in the regulation that govern our economic activities.	Compliance with regulations in economic, environmental and social aspects; compliance with work-related health and safety standards. Multistakeholder dialog and cooperation, synergy generation to drive the community's sustainable development. Fight against corruption. Innovation: technology and know-how transfer.	We strive to strictly comply with the regulations governing our business. We work in synergy with the Government to carry out works and projects that bring development to the region. We are transparent with our actions and information and always act ethically.

DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS	COMPANY STRATEGY
<b>ARTISANAL MINERS</b>				
Formal artisanal miners working within our direct area of influence who deliver the mineral they extract to be processed by Poderosa.	Support them to carry out safe and environmentally friendly work. Be transparent in the analysis, processing, and treatment of the mineral they deliver. Help them become agents of their own development and that of their community.	<ul style="list-style-type: none"> <li>• E-mails</li> <li>• Periodic scheduled meetings</li> <li>• Technical Visits</li> <li>• Telephone</li> </ul>	Transparent and timely liquidation process, ongoing possibility to grow and develop, support in safety and security aspects.	We have a team dedicated to working with artisanal miners under contract with Poderosa for greater work fluidity. We also believe that it is vital to transfer skills in health and safety issues.
<b>CUSTOMERS</b>				
The buyers of our final product. There is no customer classification or category.	Produce gold in the most efficient, effective, and flexible way. Maintain the quality of our processes and products, including the voluntary international standards, such as ISO 9001, that ensure customer satisfaction	<ul style="list-style-type: none"> <li>• E-mails</li> <li>• Periodic scheduled meetings</li> <li>• Biannual Survey</li> <li>• Telephone</li> </ul>	A product that meets customer's specifications and standards.	Our plant and laboratory teams work with quality to deliver a product that meets customer requirements.

WE HAVE IDENTIFIED OUR STAKEHOLDERS THROUGH AN EXTERNAL AND INTERNAL ENVIRONMENT ANALYSIS OF OUR ORGANIZATION

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## MANAGEMENT WITH HIGH INTERNATIONAL STANDARDS

### ISO 9001 AND ISO 14001- 2015 COMPREHENSIVE MANAGEMENT SYSTEMS AND MIGRATION TO ISO 45001-2018

We are committed to the efficient management of our processes and their continuous improvement, as regards quality, environment, and safety, thereby we implemented the requirements established under the ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018 international standards.

#### WHY IS THIS IMPORTANT?

Standard management enables us to have greater control of our processes, through permanent performance review, and therefore, helps up making decisions and acting towards continuous improvement.

### AUDITS

In 2020 we successfully passed the second follow-up audit of our Comprehensive Management System. This certification allows us to continue being part of a group of leading and highly competitive organizations worldwide. This achievement helps us to improve the performance of the organization, making us more competitive and generating a synergy between processes and management systems, focused on achieving our objectives.

We also completed the migration to ISO 45001-2018, which certifies our high occupational health and safety standards. The new aspects of this version are the following:

- Organization Context
- Leadership and worker participation
- Occupational Health and Safety planning
- Support
- Operation
- Performance Evaluation
- Improvement

### ISO 37001-2016 ANTI-BRIBERY MANAGEMENT SYSTEM STANDARD AND ZERO BRIBERY

#### WHY IS THIS IMPORTANT?

Fighting corruption is a priority in the country. We are committed to contributing to the fight against corruption by acting honestly and ethically, therefore, we work purposefully to implement the requirements established under ISO 37001:2016 Anti-Bribery Management System, and to receive the corresponding certification. We have been the first Peruvian mining company to receive this certification granted by BASC Peru, under the Peru Certification brand. All the same, we received the Zero Anti-Bribery Certification, which has the support of Empresarios por la Integridad audited by SGS Peru. 100% of our operations are constantly evaluated to prevent these practices.

#### HOW DO WE MANAGE THIS APPROACH?

Through three fundamental pillars: prevention, detection, and reporting.



We have a methodology to identify and evaluate risks and determine the necessary controls to prevent their occurrence. Our process allows us to detect warning signs in situations or behaviors that deviate from the ethical framework established in our compliance policy and in our Code of Ethics and Conduct. All the same, we have an Ethics Channel, with several contact means such as telephone, e-mail, website, and personal interviews. This channel is managed externally to guarantee transparency and confidentiality of the data recorded.

It is valuable for us to establish and promote a culture of integrity, transparency, compliance, and anti-corruption in all our processes.

#### WHAT EVALUATION MECHANISMS ARE USED TO VERIFY THE RESULTS?

We have an Ethics Committee that reviews the management system's progress and reviews from time to time, according to the indicators in place, the executed capacities, the due diligence processes, and the Ethics Channel statistics, with respect to clients, suppliers, and workers.

# 1

WE ARE MINERA  
PODEROSA

GRI

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## GOOD CORPORATE GOVERNANCE



Assertive and inspirational leadership underpins the good governance that drives our company's activities, thus ensuring that our vision and values are present every day when decisions are made. The General Shareholders Meeting leads our governance structure. It is mainly accountable for the company's social management and annual results; it also elects and promotes the Board of Directors, appoints the external auditors, modifies the by-laws, and restructures the company.

- The Board of Directors is the body responsible for managing the company
- The Executive Committee of the Board of Directors decides on any kind of situations that require an additional decision to the one made by the General Management.
- The Board of Directors' Auditing Committee supervises and ensured integrity and transparency of the corporate information and identifies and assesses risks that could affect the development of our operations.



- The Board of Directors Ethics and Good Corporate Governance Committee oversees the compliance with the Good Corporate Governance guidelines, mechanisms, and procedures.
- The Strategy and Sustainability Committee designs, analyses and reviews strategies and plans.
- The General Management is responsible for the correct steering of the company; it executes the policies and decisions of the Board of Directors and General Shareholders Meetings.
- The Administrative, Finance and Trade Management; Operations Management, the Comprehensive Integrated Management, Social Responsibility Management and Geology and Explorations Management are each accountable for their own affairs, to meet the company's annual plan.

Our Board of Directors is made up by eleven official members and eight alternate members, elected by the General Shareholders Meeting for a three-year period. From the eleven

official members, ten are non-executive Directors; eight are men and three are women. Refer to the DIRECTORS PROFESSIONAL BACKGROUND section for further information. The Chairperson of our Board has been elected by the shareholders with executive functions.

The shareholders express their opinions directly during the general shareholders meeting. The company has not designed any additional procedure for the shareholders and workers to communicate their recommendations to the Board of Directors.

The Board reviews the company's performance in its monthly meetings or when it decides to hold a meeting. In these meetings, it deals with all kinds of different matters, from operational, to financial, social, and environmental. The attending officers are responsible for transmitting the relevant information to the workers. All the same, the Executive Committee reviews the company's performance.

On the other hand, there is no formal procedure to assess the Board of

Directors' performance. The shareholders choose the board members based on their capacities and experience and assess the Board of Directors' general performance. In the case of the Committees, the Board as a whole is responsible for appointing its representatives, following the same criteria. The company does not have an established procedure to deal with conflicts of interests within the Board.

Poderosa's Board of Directors has an Executive Committee, which meets on a weekly basis; a Hedging Committee, which meets to analyze the price situation of the metals produced. It also has an Auditing Committee, an Ethics and Good Governance Committee and a Strategy and Sustainability Committee.

The Board of Directors members receive a percentage of the yearly profits, according to the company by-laws, the General Corporate Law and pursuant to the agreement of the general shareholders' meeting.

# 1

WE ARE MINERA PODEROSA



102-5  
102-7

## SHAREHOLDERS, ECONOMIC GROUP AND MAIN ENTITIES OF THE ECONOMIC GROUP

The company's capital stock is registered before the Lima Stock Exchange and the Securities Market Public Record since January 27, 2005.

As of the end of 2020, the company had a capital stock of PEN 363'000,000.00, fully subscribed, and paid. The capital stock is represented by 363'000,000 common shares at a nominal value of PEN 1.00 each, with voting rights. 51.2217% of this stock corresponds to domestic shareholders (accounting

for 185'934,617 shares) and 48.77783% are held by non-domiciled shareholders (representing 177'065,383 shares). All the same, we must mention that Poderosa is not a part of any economic group.



Main shareholder number 1 is a non-domiciled legal entity, shareholders 2 and 3 are Peruvian domiciled individuals, shareholder 4 is a Peruvian domiciled legal entity and shareholders 5, 6 and 7 are non-domiciled legal entities.

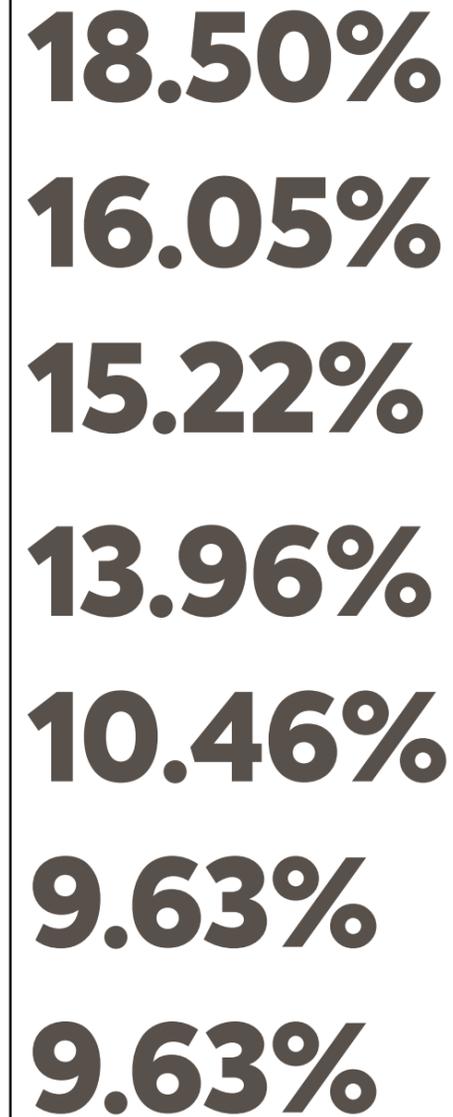
### SHAREHOLDER BREAKDOWN

HOLDING	NUMBER OF SHAREHOLDERS	PARTICIPATION (%)
Less than 1%	220	2.30
Between 1% and 5%	1	4.25
Between 5% and 10%	2	19.26
More than 10%	5	74.19
<b>Total</b>	<b>228</b>	<b>100</b>

### MAIN SHAREHOLDERS

NAME	NATIONALITY
Talingo Corporation	British Virgin Islands
Victoria Isabel Arias Vargas	Peruvian
Luz Evangelina Arias Vargas de Sologuren	Peruvian
Cori Apu SAC	Peruvian
South America Mining Investment	British Virgin Islands
Xelor Shipping Limited	British Virgin Islands
Zulema Invest Limited	British Virgin Islands

### PARTICIPATION OF THE MAIN SHAREHOLDERS



<b>TALINGO CORPORATION</b>	NUMBER OF SHARES <b>67'140,974</b>
<b>ARIAS VARGAS VICTORIA ISABEL</b>	NUMBER OF SHARES <b>58'247,481</b>
<b>ARIAS VARGAS DE SOLOGUREN LUZ EVANGELINA</b>	NUMBER OF SHARES <b>55'238,668</b>
<b>CORI APU SAC</b>	NUMBER OF SHARES <b>50'672,930</b>
<b>SOUTH AMERICA MINING INVESTMENT</b>	NUMBER OF SHARES <b>37'982,520</b>
<b>XELOR SHIPPING LIMITED</b>	NUMBER OF SHARES <b>34'955,492</b>
<b>ZULEMA INVEST LIMITED</b>	NUMBER OF SHARES <b>34'955,490</b>

1

WE ARE MINERA  
PODEROSA**DIVIDEND  
POLICY**

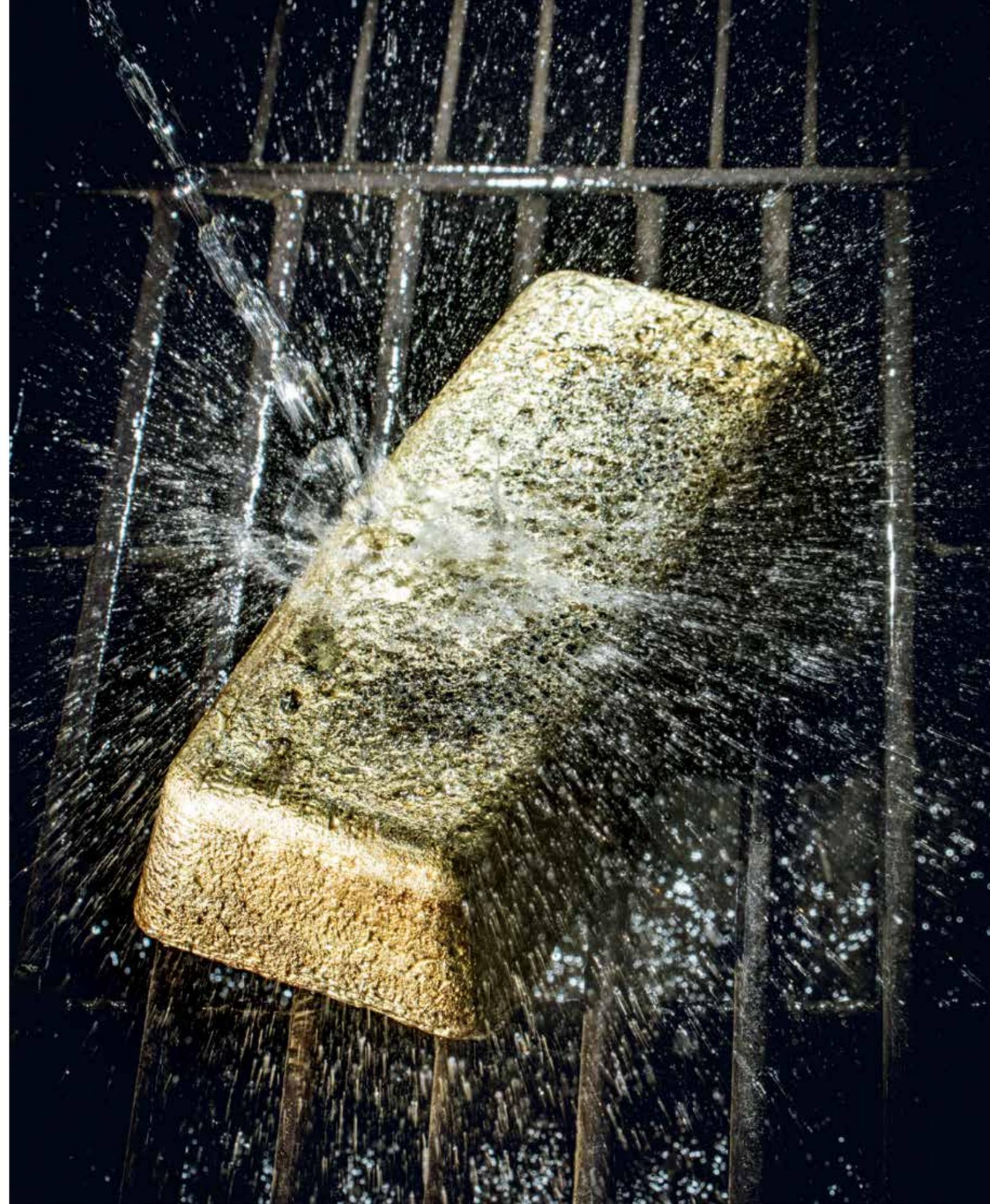
On September 30, 2009, the company's general shareholders' meeting approved the following dividend policy: "The company shall distribute between 40% and 60% of the annual distributable profits, in cash".

**STOCK EXCHANGE  
QUOTATION**

During 2020, the shares were quoted as follows, in average.

**COMPAÑÍA MINERA PODEROSA SA |  
VARIABLE INCOME**

ISIN CODE	MNEMON- IC	YEAR -MONTH	QUOTATIONS 2020				AVER- AGE PRICE S/
			Opening S/	Closing S/	Maximum S/	Minimum S/	
PEP635001006	PODERC1	2020-01	10.40	11.20	11.50	10.40	10.76
PEP635001006	PODERC1	2020-02	11.00	10.50	12.60	10.50	11.12
PEP635001006	PODERC1	2020-03	11.20	10.50	11.30	9.60	10.76
PEP635001006	PODERC1	2020-04	10.50	10.00	10.50	8.85	9.68
PEP635001006	PODERC1	2020-05	10.00	10.00	10.00	10.00	10.00
PEP635001006	PODERC1	2020-06	9.60	9.80	9.90	9.21	9.63
PEP635001006	PODERC1	2020-07	10.99	11.11	11.30	9.80	10.68
PEP635001006	PODERC1	2020-08	11.10	11.10	11.50	11.00	11.15
PEP635001006	PODERC1	2020-09	11.20	10.80	11.30	10.80	10.85
PEP635001006	PODERC1	2020-10	10.90	11.00	11.00	10.90	10.97
PEP635001006	PODERC1	2020-11	11.00	9.35	11.00	9.35	9.84
PEP635001006	PODERC1	2020-12	10.00	10.30	10.30	10.00	10.26



## 1

WE ARE MINERA  
PODEROSA

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# TAX AND LEGAL CONTINGENCIES

As of December 31st, 2020, we had the following contingencies:

## TAX CONTINGENCIES

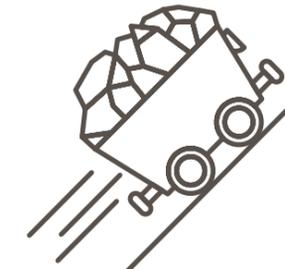
As of December 31st, 2020, there were several tax proceedings against the Tax Authority pending solution, most of them have been appealed before the Tax Court. The procedures refer to the following periods:

- Income Tax for the year 2003: Objections were determined which reduced 2003 tax loss in PEN 11,436,000 thousand and imposed a fine of PEN 2,789 thousand (interests not included) for an alleged loss which was unduly stated. It has been appealed and is pending resolution before the tax court.
- 2009 Income Tax: The debt for tax objections was paid as determined by the Tax Administration (SUNAT) order RTF N° 09780-1-2019, but the company decided to continue the legal proceeding for one of the tax objections.
- 2010 Income Tax: Objections were determined for an omitted amount of PEN 3,309 thousand (excluding interests) and a fine for PEN 1,128 thousand (excluding interests) for 2010 income tax adjustment. The issuance of the resolution that complies with Tax Court Order RTF 04712-4-2020 is pending.
- 2012 Income Tax: Objections were determined for an omitted amount of PEN 492 thousand (excluding interests), which appeal is pending resolution by the tax court.
- 2015 Income Tax: Objections were determined for an omitted amount of PEN 1,891 thousand and a PEN 945 thousand fine for omitted taxes, which has been challenged and is pending resolution by the tax court.

## LEGAL CONTINGENCIES

As of December 31, 2020 several complaints were pending against the company, including payment of the following: a) A claim for compensatory damages arising from an out of contract responsibility, and other for an approximate amount of PEN 450,000; b) Obligation to pay PEN 6,200,000; c) Invalidity of an administrative action for PEN 1,4394,000; and d) Social benefits and damages resulting from breach of labor regulations in favor of former company workers and contractors for approximately PEN 40' 080,000.

The management and its legal advisors estimate that given the sound legal arguments to obtain a favorable ruling, the result of these procedures for the company will not have a significant impact in our financial statement.



# DIRECTORS RESUME

The professional background of each Director can be found in Annex 1 to this report.

# OFFICERS RESUME

The professional background of our Officers can be found in Annex 2 to this report.



# 2

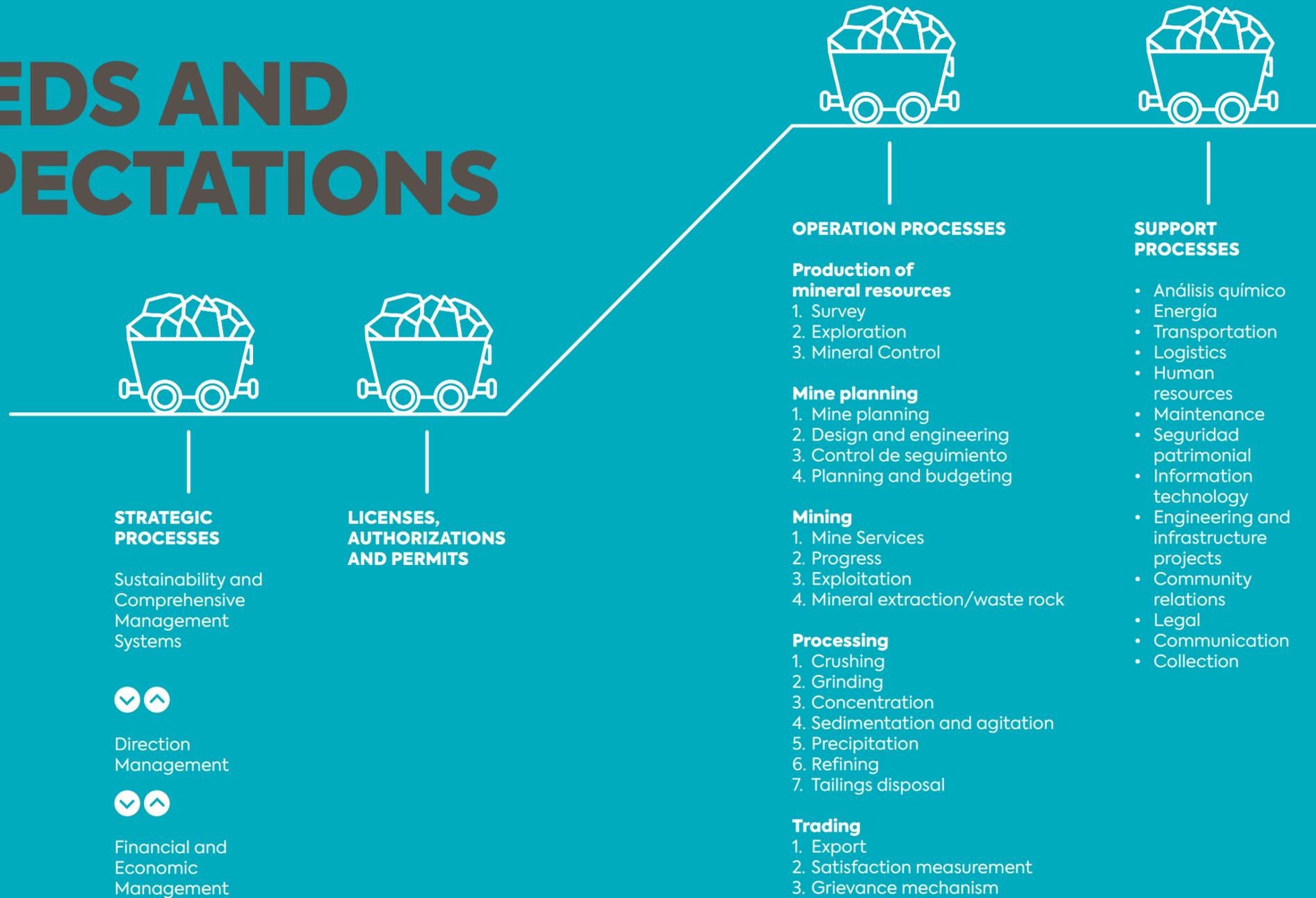
## OPERATIONAL EXCELLENCE



# PROCESS MAP

# NEEDS AND EXPECTATIONS

- Customers
- Shareholders
- Community
- Workers
- Suppliers
- Government
- Artisanal Miners



- Customers
- Shareholders
- Community
- Workers
- Suppliers
- Government
- Artisanal Miners

**SATISFACTION**

# 2

OPERATIONAL EXCELLENCE



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## MANAGEMENT INDEX

		ACUM 2019	ACUM 2020			
<b>SECURITY</b>	Frequency	2.22	1.30			
	Severity	3,183	23.14			
	Accidents Near misses	7.08	0.03			
	Incidents	1,082	564			
<b>GEOLOGY</b>	Progress	Progress DDH(m)	50,059	47,785		
	Resources	Resource Tons	1,432,743	1,448,884		
		Resource Ounces	769,649	796,571		
		Resource Grade	16.71	17.10		
	Reserves	Resource Tons	1,255,463	1,296,225		
		Resource Ounces	705,085	743,885		
Resource Grade		17.47	17.85			
<b>MINE</b>	Mineral sent to plant (Mine+LA) (t)		423,603	404,045		
	H + V Operation progress (m)		48,009	27,353		
	Positioning work		7,881	6,001		
	Development work		14,940	8,456		
	Mine work		21,780	12,897		
	Raise boring Progress		2,038	312		
	Raise climber Progress		1,370	547		
	Tmb/Tar_Total		2.81	3.63		
	TMT/Tar_Total		0.94	1.73		
	Prepared Mineral - (accessibility 0 - 3 months)		5.33	4.78		
	<b>PLANT</b>	Marañón	Resource Production	Mine	Treated (Mt)	142,984
Estimated mill head grade (gr/MT)				11.39	14.15	
Recovery (%)				96.36%	95.96%	
Production (ounces)			51,980	40,516		
Designated task			Treated (Mt)	32,398	35,828	
			Estimated mill head grade (gr/MT)	38.91	28.27	
		Recovery (%)	90.80%	90.10%		
Potential production		Free exploration	Treated (Mt)	112,603	93,756	
			Estimated mill head grade (gr/MT)	27.38	20.97	
			Recovery (%)	89.07%	88.20%	
Production (ounces)		87,452	56,579			
Maranon Accrued		Treated (Mt)	287,985	223,354		
Estimated mill head grade (gr/MT)		20.74	19.28			
Recovery (%)		91.42%	91.04%			
Production (ounces)		176,066	126,396			



		ACUM 2019	ACUM 2020			
<b>PLANT</b>	Santa Maria	Resource Production	Mine	Treated (Mt)	266,872	274,976
			Estimated mill head grade (gr/T)	17.47	17.00	
		Recovery (%)	92.08%	92.08%		
		Production (ounces)	137,957	138,395		
	Designated task	Treated (Mt)				
		Estimated mill head grade (gr/T)				
	Potential Production	Free exploration	Treated (Mt)			
			Estimated mill head grade (gr/T)			
	Recovery (%)					
	Production (ounces)					
Santa Maria Accrued		Treated (Mt)	266,872	274,976		
Estimated mill head grade (gr/T)		17.47	17.00			
Recovery (%)		92.08%	92.08%			
Production (ounces)		137,957	138,395			
Collection (cl)		Treated (Mt)	112,603	93,756		
Estimated mill head grade (gr/T)		27.38	20.97			
Recovery (%)		89.07%	88.20%			
Production (ounces)		87,452	56,579			
Accrued		Treated (Mt)	554,857	498,330		
Estimated mill head grade (gr/T)		19.17	18.02			
Recovery (%)		91.71%	91.58%			
Production (ounces)		314,023	264,792			
<b>MAINTENANCE</b>		Total Energy (MW-h)	85,069	79,047		
Hydraulic Energy Cost (USD/kW-h)		0.0396	0.0493			
Thermal Energy Cost (USD/kW-h)		0.3067	0.2489			
National Grid Cost (USD/kW-h)		0.0663	0.0649			
Palca Energy (KW-h)						
Trackless Mechanic Availability		92.48%	74.88%			
Conventional Mechanic Availability		85.09%	78.77%			
kW-h /Gross metric ton		62.67	87.17			
Kw -hr. / TMT		153.32	158.62			
<b>HUMAN RESOURCES</b>		Company Staff	707	711		
Specialized company Staff		3,081	2,889			
Operating Staff		2,955	2,808			
Investment Staff		833	792			
Total staff		3,788	3,600			
Total mine staff (28/14)		2,525	2,400			
Annual staff turnover (%)		60%	43%			
<b>SALES AND COSTS</b>		Sales Au and Ag (USD)	442,602,663	475,188,992		
Sales Au (oz.)		312,413	265,157			
Average Au sale price (USD/oz.)		1,404.5	1,777.0			
Production Cost (USD/Mt)		231.3	250.5			
Production Cost (USD/oz.)		451.5	486.8			
Effective Cost (USD/oz.)		583.8	659.2			
Total Cost (USD/oz.)		852.8	1010.7			
Cubing Cost USD/cubed oz.		159.2	134.0			
US\$/kW-h consolidated		0.1023	0.0945			
<b>INVESTMENT</b>		Investment US\$/oz.	483.66	374.8		
Normal Investment USD		89,019,305	60,552,894			
Growth Investment USD		18,485,300	15,845,855			
<b>FINANCE</b>		Ebitda (USD) NIC 21 (last 12 months)	203,635,645	243,390,267		
Ebitda (USD) NIC 21 (2019)		203,635,645	243,390,267			
Coverage Index (Ebitda/interests)		79.42	99.40			
Debt service coverage ratio		5.05	8.42			
Leverage Index						
(total financial debt / Ebitda (last 12 months))		0.22	0.15			
Additional banking financing USD Collateral coverage = collateral / principal balance		17,978,857	34,366,221			
		23.02	69.07			

# 2

OPERATIONAL EXCELLENCE

## GROWTH STRATEGY

### PROSPECTION

During 2020 field works were restricted due to the health emergency, therefore the activities carried out were oriented to the integration and processing of geologic data of the Misquichilca, Nina Urqu, Batolito de Pataz, Santa Filomena, Ariabamba, Montañitas and Rafaela projects. 11 high interest prospective sectors were identified, with varied mineralization styles, located not only in the Pataz Batholith but also in the porphyritic rocks of the Montañitas intrusive complex, Cordillera Oriental basement, and Lavasen volcanic rocks. This matches the tectonic, multielement geochemical and geophysical studies already performed.

### TECTONIC EVOLUTION AND 4D STRUCTURAL MODELING PROJECT

This research and exploration project was completed under an agreement with the Centre for Exploration Targeting, University of Western Australia. The Project allowed establishing a model of regional

tectonic evolution and its relationship with rock units which are fertile for gold fields based on field evidence, rock dating, and isotope studies. Also, a structural model has been produced for the evolution of the veins in the Pataz Batholith. This will allow visualizing future explorations.

### EXPLORATION AND DEVELOPMENT

During 2020, due to the sanitary emergency status, surface diamond drilling works were not carried out, but 14,456 m of mining exploration works, and 47,785 m of underground diamond drilling were completed. The estimated gold ounce ratio as of the end of the year was 17.24 oz Au/m (P+D).



### EXPLORATION AT MARAÑON PRODUCTION UNIT

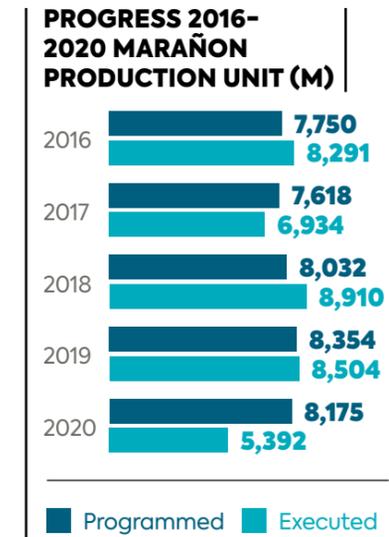
Exploration works took place mainly in the Lola 1, Luz, Choloque, Consuelo, Jimena, Karola Techo, Mercedes, Arisa and Pencas veins.

22,245 meters of diamond drilling were executed. With respect to mining activities, these comprised 5,392 meters, out of which 2,742 meters corresponded to positioning works and 2,650 meters to development works.

Access and positioning works are being carried out to execute long reach drills at levels 1680 CR SE, 1800 CR NW1 and 2300 CR NE.

DURING 2020 14,456 M OR MINING EXPLORATION WORKS, AND 47,785 M OF UNDERGROUND DIAMOND DRILLING WERE COMPLETED.

All the same, we continue to work on CR 5000 at level 1915 as positioning work and long-term integration, to identify new sector to explore and integrate with the Santa Maria Production Unit.

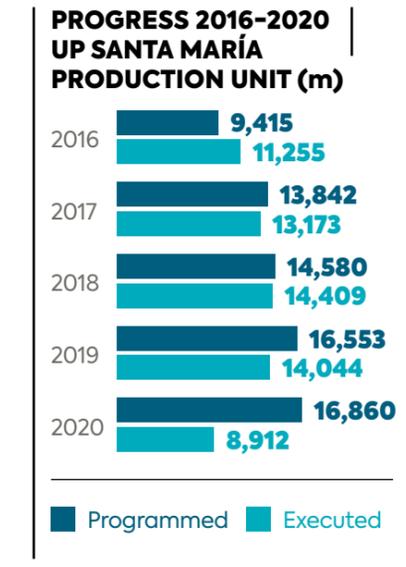


### EXPLORATION AT SANTA MARÍA PRODUCTION UNIT

Exploration Works took place in the San Francisco, Cristina, Virginia, Julie, San Vicente, Guadalupe, Briana, Samy and Maren vein systems.

25,540 meters of diamond drilling were executed. With

respect to mining activities, these comprised 8,912 meters, out of which 3,106 meters corresponded to positioning works and 5,805 meters to development works.



### EXPLORATION AT PALCA PRODUCTION UNIT

Mining exploration Works were executed at level 3190 at Palca Production Unit to position and recognize structures in the Diana and Poderosa veins.

# 2

OPERATIONAL EXCELLENCE

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103-2

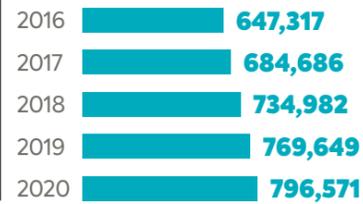
152.60 meters of mining Works were executed, corresponding to positioning works.

### RESOURCES

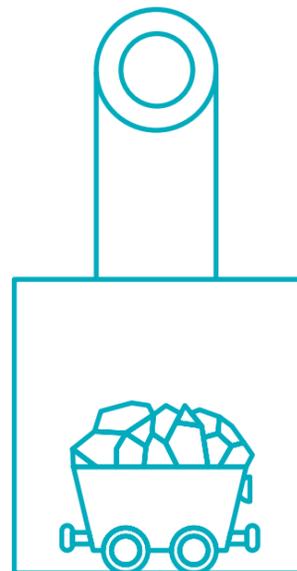
At the end of the year, the company obtained 796,571 ounces of gold contained in 1'448,884 tons of mineral resources. Currently, the total content of gold in the field; that is, mineral resources, plus mineral extracted, reached 4'729,229 gold ounces.



### TOTAL CONTENTS OF GOLD FINES IN OUNCES 2016-2020



### MINERAL RESOURCES IN TONS 2006-2020



## OPERATIONS MANAGEMENT

The search for the sustainability of our operations, has led to a very concrete and meaningful mission: To responsibly transform our mineral wealth into development opportunities. That quest is linked to our vision, principles, policies, plans, and strategies. In other words, we are focused on producing the greatest amount of gold efficiently, safely for our workers, and with care for the environment.

To reach sustainability, we must maintain or increase mining production levels, for production has control over the mining techniques and cost, but not over the prices of the metals or the available ore.

From this perspective, we aim at keeping three years of reserves, because, given the type of field, we would not be using resources efficiently if we kept reserves for more time. Discovering reserves is instrumental to decide production expansion.

### MINE

#### MARAÑÓN PRODUCTION UNIT

Production was 60,049 t and 30,865 ounces of gold, which represented goal compliance of 76% and 90%, correspondingly. 31,045 t and 12,014 ounces of gold were

produced in exploitation works; 8,023 t and 1,947 ounces of gold were produced in development and preparation works; in assigned works the total was 20,982 t and 16,904 ounces of gold. Mine recovery was 93.22%. This production deficit was due to staff shortage because of the pandemic

#### RESOURCE PRODUCTION HISTORIC DATA - MARAÑÓN MINE (T)

TREATMENT	MARAÑÓN MINE			
	ORIGIN	MARAÑÓN PLANT	SANTA MARIA PLANT	
2016		142,618	110	<b>142,728</b>
2017		130,320		<b>130,320</b>
2018		87,414		<b>87,414</b>
2019		74,970		<b>74,970</b>
2020		60,049		<b>60,049</b>

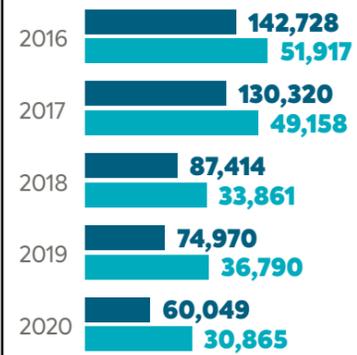
#### RESOURCE PRODUCTION HISTORIC DATA - MARAÑÓN MINE (OZ)

TREATMENT	SANTA MARÍA MINE			
	ORIGIN	MARAÑÓN PLANT	SANTA MARIA PLANT	
2016		51,859	58	<b>51,917</b>
2017		49,158		<b>49,158</b>
2018		33,861		<b>33,861</b>
2019		36,790		<b>36,790</b>
2020		30,865		<b>30,865</b>

# 2

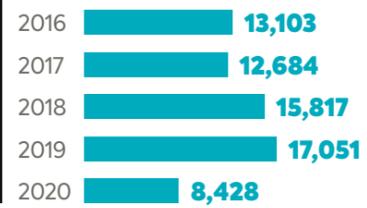
OPERATIONAL EXCELLENCE

## PRODUCCIÓN DE RECURSOS HISTÓRICA - MINA MARAÑÓN



■ t ■ oz

## AVANCE ANUAL MARAÑÓN (M)



## IMPROVEMENTS IN MINING OPERATIONS

**Radio communication system inside Karola, Pencas and Consuelo mines:** In 2020 the leaky feeder cable was expanded in Karola, Pencas and Lola mines.

**Locomotives:** Two 6-ton trolley and battery locomotives were purchased.

**Pajilla Mine:** 255 m of positioning works were carried out at level 1800 CR NW.

**Tingo Mine:** 252 m of Works were carried out at level 1689 CR SE, to intersect Luz vein. 57 m of progress were completed at level 1467, CR SE, which is cut and will be positioned below the upper levels to build a main raise climber.

**Consuelo Mine:** In Lola vein raise climbers 55 and 54 were completed for ventilation purposes. At Ramp Katy, 595 meters of progress were completed, reaching level 2150.



**SANTA MARÍA PRODUCTION UNIT**

During 2020, 344,525 tons were treated to produce 177,348 oz of gold, with a recovery rate of 92.41%. From the total production of Santa Maria mine, coming from pits, development, and preparation Works, 329,679 t were treated at Santa Maria

plant, with a result of 164,951 oz of gold. 14,846 t or ore from assigned works were treated, resulting in 12,397 oz of gold.

All the same, 18,772 m vertical and horizontal works were executed, out of which 8,912 m correspond to exploration works, 4,575 m to development works and 5,286 m to preparation works.

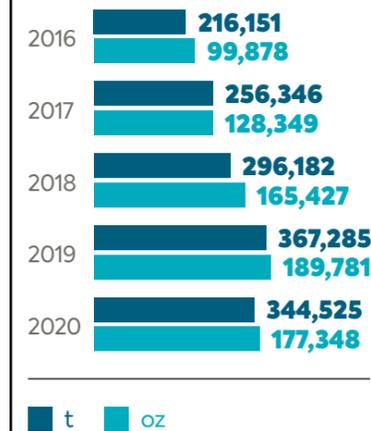
**HISTORIC PRODUCTION (T) |**

TREATMENT	ORIGIN		
	MARAÑON PLANT	SANTA MARIA PLANT	TOTAL
2016	42,637	173,514	<b>216,151</b>
2017	37,213	219,132	<b>256,346</b>
2018	66,471	229,711	<b>296,182</b>
2019	100,413	266,872	<b>367,285</b>
2020	69,549	274,976	<b>344,525</b>

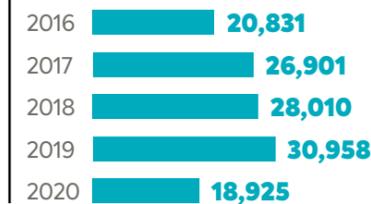
**HISTORIC PRODUCTION (OZ GOLD) |**

TREATMENT	ORIGIN		
	MARAÑON PLANT	SANTA MARIA PLANT	TOTAL
2016	17,414	82,464	<b>99,878</b>
2017	14,822	113,527	<b>128,349</b>
2018	40,889	124,538	<b>165,427</b>
2019	51,823	137,957	<b>189,781</b>
2020	38,952	138,395	<b>177,348</b>

**HISTORIC RESOURCE PRODUCTION – SANTA MARÍA MINE**



**SANTA MARIA PROGRESS EVOLUTION (M)**



**IMPROVEMENTS IN MINE OPERATION**

**COMPRESSED AIR CIRCUIT.** To improve the compressed air pressure at the different work sites, we continued to install 3,314 m of 10” diameter Alvenius pipes in the main circuits.

**EFFLUENT TREATMENT SYSTEM.** Concrete ditches were built to have better control of the concentration of suspended solids and of arsenic in the effluents.

**ROAD MAINTENANCE.** As to increase mechanic availability of our equipment and prevent economic loss due to failure, we continue to change the steel reel from 30 lb to 60 lb, and to carry out daily maintenance of the Cauville line, as well as cleaning of the ditches.

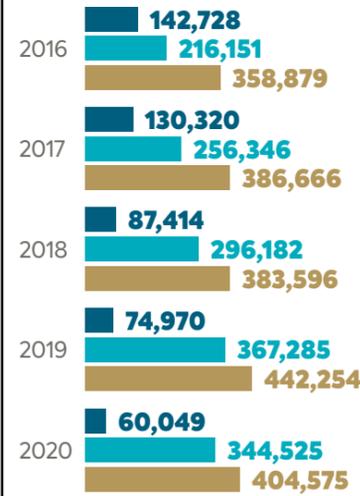
**COMMUNICATION SYSTEM INSIDE THE MINE.** To have timely information in case on an event inside the mine, the radio communication system was expanded further (leaky feeder 8,000 m) at the different levels.

**RAISE BORING CHIMNEY.** To improve the ventilation flow at the different mining sites, raise boring chimneys were executed (RB 07 = 312 m).

**RAISE CLIMBER CHIMNEY.** SA 430 m long RC-CH- 24 was completed to communicate with the surface, this improved the ventilation of the different mining works at the lower levels.

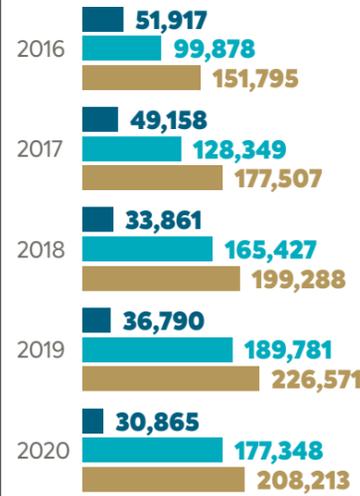
**HYDRAULIC FILLING.** 8,280 m<sup>3</sup> of hydraulic filling were completed in the pits to provide better balance to the rock wall and to control de subsidence of the spaces created by the pit exploitations. This will increase the productivity and safety of the operation.

**HISTORIC ACCRUED PRODUCTION (T)**



■ Marañón ■ Santa María  
■ Accrued

**HISTORIC ACCRUED PRODUCTION (OZ)**



■ Marañón ■ Santa María  
■ Accrued



**PLANT**

498,330 t of ore were processed in the Marañón and Santa María I plants, obtaining 264,792 ounces of gold. Out of the total processed, 223,354 t corresponded to the Marañón plant and 274,976 t to the Santa María I plant. Accrued gold recovery at the beneficiation plants was 91.58%.

According to the production program, compliance with ore processing was 85.33% and gold production was 85.94%. The covid-19 health crisis was the reason for these results.

We highlight the following achievements during this year:

**MARAÑÓN PLANT – INNOVATION PROJECT**

In refinery, through Deputy Director's Resolution N° 958-2020-Concytec-sdctt dated August 38, 2020, Concytec admitted the request for qualification and authorization of the technological development project called "Adaptation and Validation of a Precipitate Chemical Refining Process for Obtaining High

Purity Gold and Silver Bars of Compañía Minera Poderosa SA, which was submitted under virtual file N° 00000296 as an innovation project. A pilot plant to process 2 kg of refined gold was purchased as part of this innovation.

**SANTA MARÍA PLANT**

The grinding grade increased from 45.5% to 56.2% smaller than the 200 mesh (75 um), the same happened with the regrinding of concentrates from 73.7% to 93.4% smaller

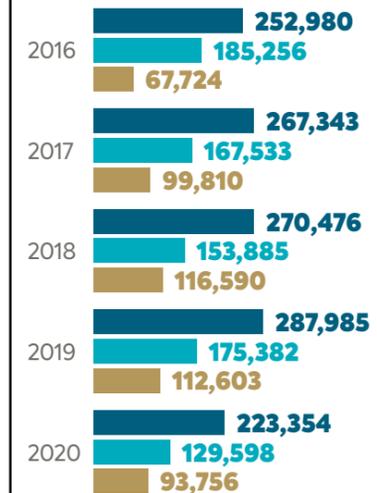
than the 400 mesh (38 um).

The flow treated in precipitation was increased from 100 m3/h to 107 m3/h, with gold recovery of 98.74%. This, in turn, improves the quality of the precipitate from 40.96% to 46.76% of Au + Ag.

**Investment Projects**

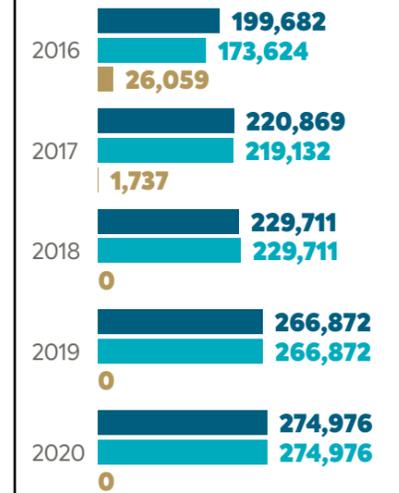
- Due to the health crisis, there was no significant progress regarding investment projects.
- The engineering of the

**ANNUAL TREATED TONNAGE AT MARAÑÓN PLANT**



■ Total ■ Mine ■ Collection

**ANNUAL TREATED TONNAGE AT SANTA MARÍA PLANT**



■ Total ■ Mine ■ Collection

# 2

OPERATIONAL EXCELLENCE

tertiary crushing circuit with HPGR crusher, tailings filtering plant with Andritz filters and cyanide solution destruction plant was completed.

### EXTRACTION AND RECOVERY AT THE PLANT

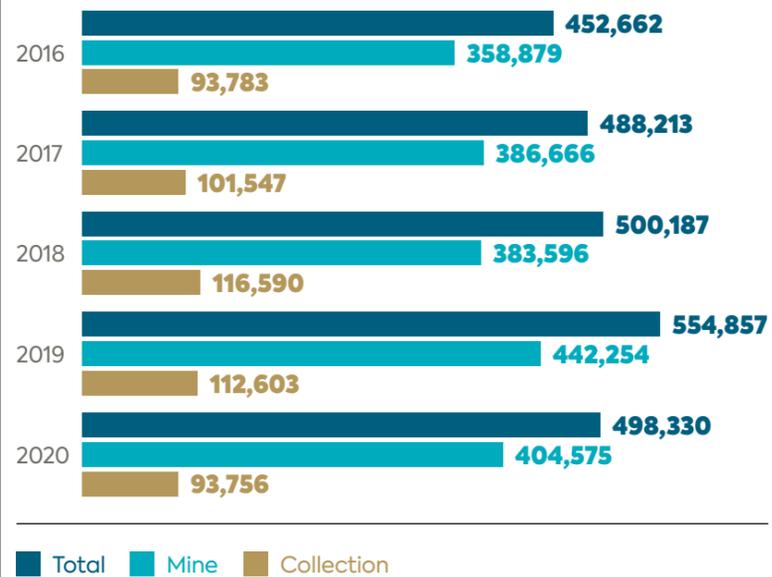
**Marañón Plant:** Total gold extraction reached 91.04%, 0.38% less than in 2019 as a

result in head grade reduction in 7.05%.

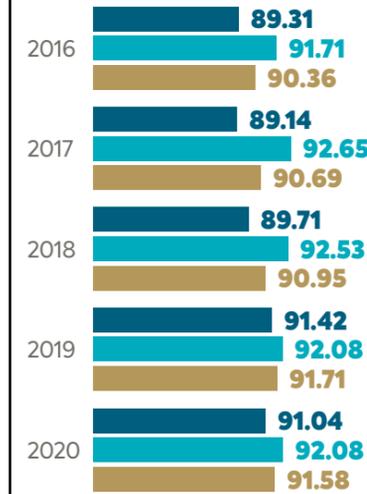
**Santa Maria I Plant:** Total gold extraction reached 92.08%, equal to 2019, despite a head grade reduction in 2.67%.

**Accrued:** Accrued extraction fell from 91.71% to 91.58% compared to 2019.

### ACCRUED ANNUAL TREATED TONNAGE | MARAÑÓN + SANTA MARÍA PLANTS

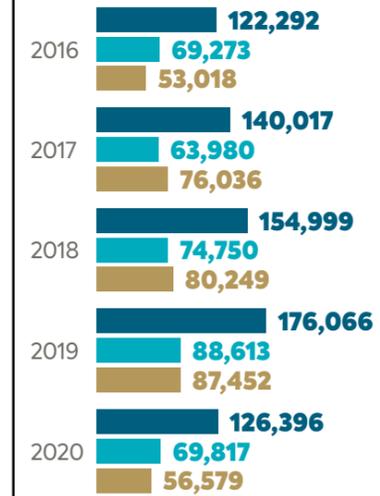


### GOLD PRODUCTION (%)



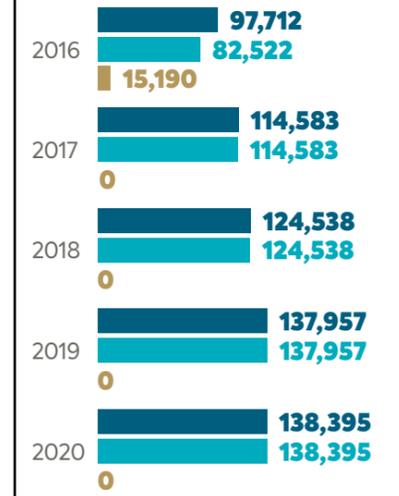
■ Marañón ■ Santa María ■ Total

### ANNUAL PRODUCTION MARAÑÓN PLANT (OUNCES)



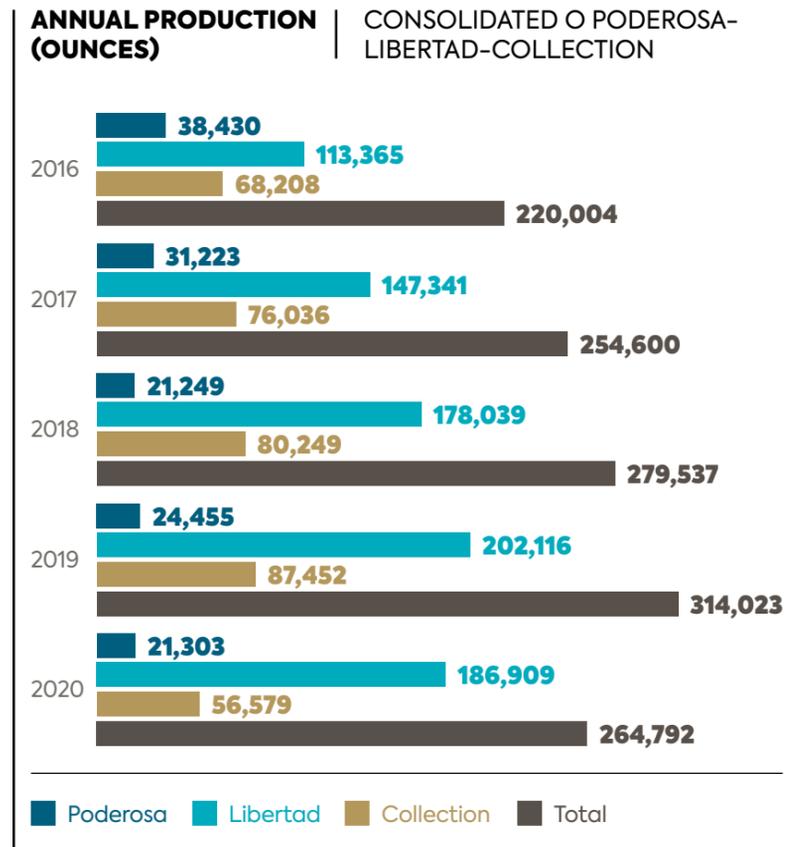
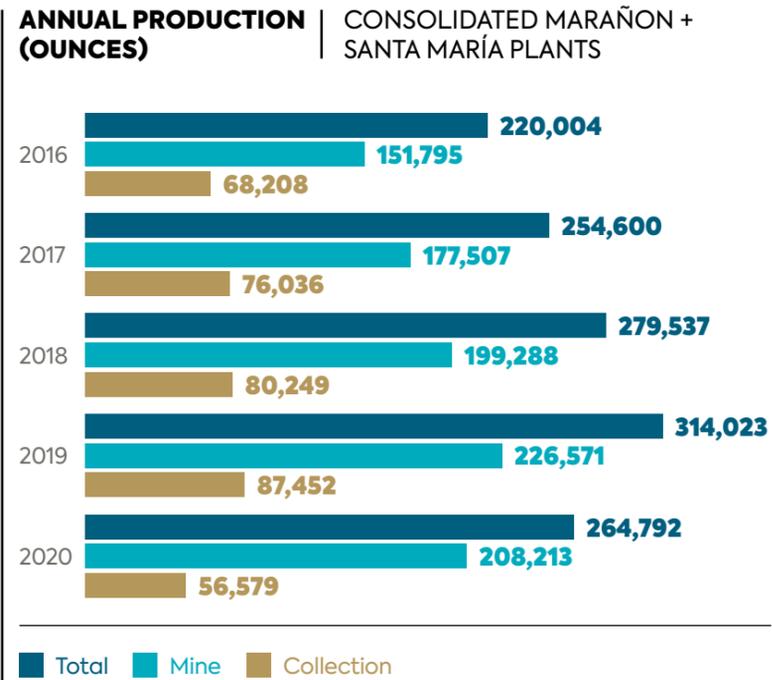
■ Total ■ Mine ■ Collection

### ANNUAL PRODUCTION SANTA MARIA PLANT (OUNCES)



■ Total ■ Mine ■ Collection





**SMELTER**

**Pollutants in Dore Bars**

The two main pollutants in the bars were lead and arsenic. In average, Pb and As content in the bars from the Marañon plant was 0.83%

and 0.10%, and the content in the bars from Santa Maria plant was 0.76% and 0.43%, respectively.

The contents of both metals in the dore bars from the smelter have been kept below

2%, which is the maximum trading limit.

**Pollutants in the precipitate**

Lead content in the Marañon plant precipitate increased from 5.96% to 6.66 % compared to 2019; and in Santa Maria Plant the content was maintained at 2.76%.

The arsenic grade in the precipitate decreased in both plants: From 0.41% to 0.45% in the Marañon plant, compared to 2019, and from 0.66% to 0.83% in the Santa Maria plant.

**Pollutant treatment**

Lead recovery from the smelter slag was 94.2% in the Marañon plant, while the figure was 85.9% in Santa Maria. In the case of arsenic, it was 89.6% and 73.6%, respectively.

**Recovery at the smelter**

Gold recovery from the precipitate at the smelter showed a slight increase, from 99.72% to 99.78%, despite an increase in lead and arsenic in the precipitate.

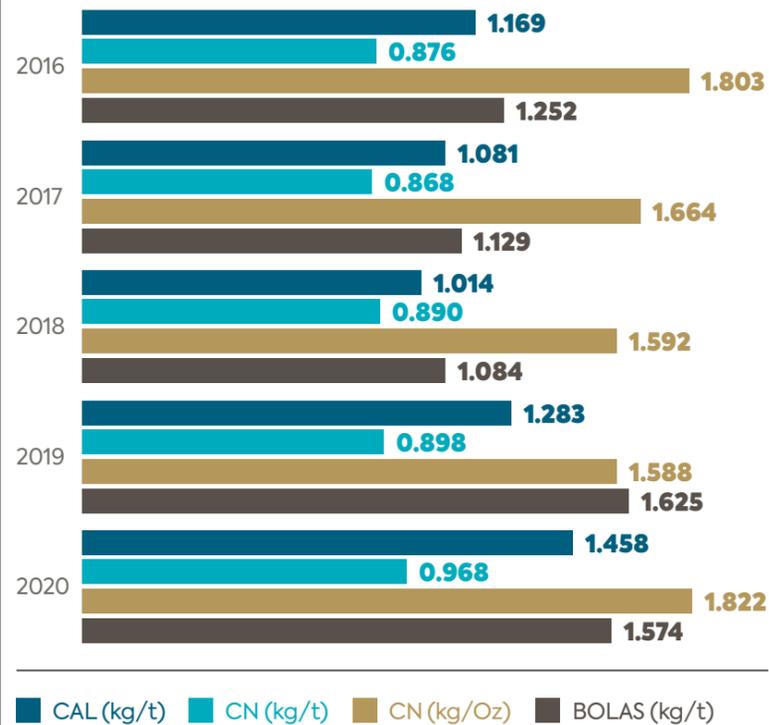
**SPECIFIC CONSUMPTION OF MAIN INPUTS (CONSOLIDATED)**

Cyanide consumption was 0.968 kg/t, 7,8% more than in 2019 due to an increase of cyanide concentration in the plants grinding circuits, to ensure maximum gold extraction.

Lime consumption was 1.458 kg/t, 13,6% more than in 2109 due to a greater ore grinding grade.

Steel ball consumption was 1.574 kg/t, 3,1% less than in 2019.

**SPECIFIC CONSUMPTION OF MAIN INPUTS**



**MAINTENANCE, ENERGY AND TRANSPORTATION**

In 2020, we managed to meet all the area goals to reach maximum mechanic availability of the company's assets, so a reasonable balance was sought regarding maintenance costs and production, security, and environment goals.

Also, we achieved an optimal supply of energy to the mine,

plant, and camps in terms of quantity and cost, within the safety and environmental protection guidelines. We are undertaking an important project to improve energy quality, which will be completed by the end of 2021.

There was an improvement in truck distribution in the different areas, which allowed reducing the fleet of light vehicles by 15% and to achieve significant savings.

**MANAGEMENT INDICATORS**

INDICATOR	PROCESS	EXECUTED	GOAL
USD/TMT	Maintenance	22.61	≤ 21.58
USD/kW-h	Energy	0.094	≤ 0.098
kW-h/TMT	Energy	159.61	≤ 152.42
USD/TMT	Transportation	4.82	≤ 5.49

**SCHEDULED VS. EXECUTED COSTS**

PROCESS	SCHEDULED	EXECUTED	%
Maintenance	12'716,768	11'067,628	87.03
Energy	8'789,185	7'196,366	81.88
Transportation	3'248,259	2'401,668	73.94
TOTAL	24'754,212	20'665,662	83.48

**SCHEDULED VS. EXECUTED MONTHLY COSTS 2020**

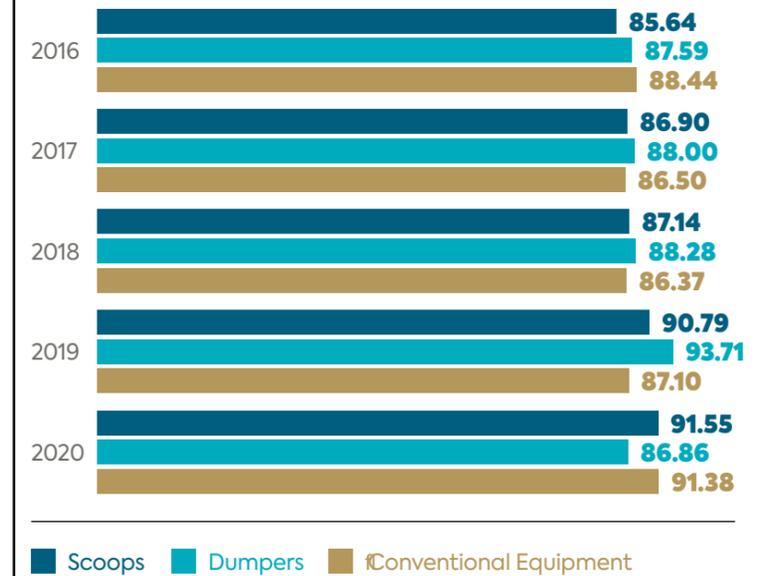


■ Scheduled ■ Executed

**EQUIPMENT MECHANIC AVAILABILITY 2020**

PROCESS	2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	PROM. GENERAL
Scoop	92.7	97.0	96.7	95.0	64.8	82.2	97.4	99.6	98.2	98.5	82.9	96.0	90.2	<b>91.5</b>
Dumper	95.0	97.6	96.6	97.4	96.8	98.8	95.2	70.0	95.6	76.9	76.5	66.7	74.2	<b>86.9</b>
Front loader	97.7	95.0	94.2	94.5	97.2	94.8	99.5	99.1	79.6	88.8	87.2	86.1	84.4	<b>91.7</b>
Tractor	99.1	98.0	96.3	97.0	96.0	96.8	98.1	97.5	98.3	66.7	66.7	66.7	66.7	<b>87.1</b>
Motor grader	98.0	100.0	100.0	95.4	95.0	99.9	99.0	100.0	61.7	99.9	99.8	91.7	99.9	<b>95.2</b>
Compressor	96.5	100.0	100.0	99.1	99.3	98.3	99.8	96.4	98.6	99.8	95.0	94.3	97.0	<b>98.1</b>
Power Station	95.9	97.3	94.1	91.7	85.5	93.3	93.9	97.4	99.7	97.2	86.3	80.3	90.7	<b>92.3</b>
Hydraulic Turbine	82.0	98.2	99.8	82.9	99.0	99.8	99.9	99.5	99.9	99.2	89.9	91.1	94.6	<b>96.1</b>
Locomotive	85.4	90.0	90.3	92.4	93.5	91.8	93.8	91.0	93.5	89.2	88.8	86.8	91.7	<b>91.1</b>
Mechanic shovel	87.4	91.8	91.3	91.5	96.0	94.1	94.6	98.8	97.3	94.8	94.3	96.0	97.9	<b>94.8</b>
Fan	86.5	89.0	89.0	91.1	92.3	90.7	89.4	90.5	87.1	86.0	88.8	90.8	89.7	<b>89.5</b>
Winch	87.7	90.6	89.9	89.6	91.7	91.1	89.3	90.6	87.8	83.8	89.1	92.6	94.7	<b>90.1</b>

**MECHANIC AVAILABILITY %**



PROCESS	INDICATORS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	GENERAL AVERAGE	
MAINTENANCE	Mechanic Availability Trackless	≥ 90%	97.20	96.60	96.20	80.80	90.50	96.30	84.80	96.90	87.70	79.70	81.30	86.60	<b>89.60%</b>
	Mechanic Availability Scoops and Locomotives	≥ 90%	90.90	90.80	92.00	94.60	92.90	94.20	94.70	95.30	91.80	91.40	91.20	94.60	<b>92.90%</b>
	Mechanic Availability Diamond Drillers	≥ 90%	100.00	99.30	95.30	97.20	93.90	97.90	99.40	96.10	99.00	96.20	94.00	94.30	<b>96.90%</b>
	Mechanic Availability Plant Equipment	≥ 90%	96.80	96.00	96.90	97.50	97.90	96.70	96.20	96.90	96.60	97.30	96.60	98.50	<b>97.00%</b>
	Mechanic Availability Energy Generation	≥ 90%	97.40	94.70	90.80	86.90	94.00	94.50	97.60	99.70	97.40	86.50	80.90	90.90	<b>92.60%</b>
	Mechanic Availability Heavy Equipment and Compressors	≥ 90%	98.50	98.10	97.60	98.30	97.70	99.70	97.50	89.60	93.82	91.30	89.20	91.10	<b>95.20%</b>
	General Average	≥ 92.8%	96.80	95.90	94.80	92.60	94.50	96.60	95.00	95.80	94.40	90.40	88.90	92.70	<b>94.02%</b>

**INFORMATION  
TECHNOLOGY**

As a result of the emergency status nationwide due to the pandemic caused by Covid-19, all projects involving physical and group contact, field work and interaction with the communities were rescheduled. On the other

hand, as was the case with companies worldwide, remote work was the option to safeguard our employees' health. This exposed work to new risks, which we immediately decided to mitigate through cybersecurity projects.

The following is a list of projects developed in 2020.

**IT  
SOLUTIONS**

SYSTEM DEVELOPMENT AND MIGRATION

Access control system	Underway
Maintenance system update	Underway

MEJORAS Y REQUERIMIENTOS EN LOS SISTEMAS

Automation of accountancy processes	Underway
Enhancement of the security system (STOP)	Underway
Project management module enhancement	Completed
Backlog of 45 pending requirements	Completed
Implementation of the contract option in Smart invoices to deliver and sign compliance documents	Completed
Fixed asset regularization process enhancement	Completed
Unit Price massive import enhancement	Completed
Telework request -SGTI	Completed
Equipment control enhancement – IT -SGTI	Completed
Reporting in the planning system	Completed

**IT  
INFRASTRUCTURE**

CYBERSECURITY PROJECTS

Vulnerability analysis service -Ethical Hacking	Completed
CiberSOC and threat remediation	Completed
Web applications Radware Firewall	Completed
RedSeal to maximize network resistance	Completed
Cisco Email Security (antispam and antimalware)	Completed
State-of- the-art CrowdStrike antivirus	Completed
Barracuda Web Security Gateway (Proxy)	Completed
Seceon aiSIEM (artificial intelligence)	Completed
Sonicwall Next Generation Firewall	Completed

DATA CENTER AND SERVERS PROJECT

Migration of DC from Surco to Chorrillos	Completed
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BACKUP AND CONTINUITY PROJECTS

Veeam Backup (On-premises & Cloud)	Completed
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NETWORK AND COMMUNICATION PROJECTS

Optic fiber Cedro-Santa María route	Completed
Optic fiber SE Santa María-SE Chacparrosa	Completed

IT SERVICES PROJECTS

Migration to Office 365	Underway
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# 3

## RESPONSIBLE MANAGEMENT



# 3

RESPONSIBLE  
MANAGEMENT



102-7  
103-1  
103-2  
103-3

## ECONOMIC VALUE GENERATION

### WHY IS FINANCIAL MANAGEMENT IMPORTANT?

Our financial management is structured according to our values, comprehensive management system, occupational health, environment, quality, and ethical policies, as well as by using the 5S methodology, as part of the company's business philosophy. All the same, its standing profit-sharing policy allows for a balance between growth and profitability for our shareholders. This management approach enables us to identify the economic value generated in 2020 for our stakeholders.

### HOW DO WE MANAGE THIS APPROACH?

In 2020, 498,330 tons of ore were treated; gold production was 264,792 ounces (10.2% less than in 2019). This reduction is the result of a smaller number of tons treated at the plant due



to the problems caused by the pandemic. The number of ounces sold and dispatched in 2020 was 265,157 (these sales included the initial stock), which meant a 15.1% reduction compared to 2019. With respect to investments, USD 78.4 million were disbursed during 2020 (28.8% less compared to 2019), which included investment in maintenance and growth. The total financial debt (total liabilities) in 2020 closed in USD 141.2 million. In this regard, there was a 9.6% increase compared to the previous year, which is mainly explained by short term indebtedness with financial institutions and commercial suppliers.

### HOW DO WE ASSESS OUR MANAGEMENT APPROACH?

"Poderosa's internal processes and financial statement were audited in 2020 with favorable opinions of Protiviti and KPMG auditing firms, respectively."

## MAIN FINANCIAL INDICATORS

EBITDA (PEN MILLION)

656.34

2019

855.46

2020

NET SALES (PEN MILLION)

1,478.8

2019

1,663.2

2020

GROSS MARGIN (%)

42

2019

48%

2020

OPERATIONAL MARGIN (%)

31

2019

37%

2020

PROFIT BEFORE TAXES (PEN MILLION)

435.31

2019

549.58

2020

NET PROFIT (PEN MILLION)

301.14

2019

385.56

2020

# 3

## RESPONSIBLE MANAGEMENT



201-1  
102-7

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

The average price for our exports was USD 1,777.02 per ounce of gold and USD 20.56 per ounce of silver. These prices (26.5% higher than that of 2019) allowed for greater sales income than those values forecasted in the annual budget. 100% of the production was exported to our customer, the Bank of Nova Scotia in the U.S.A.



Net sales in 2020 added up to PEN 1,663'261,083, which meant an increase in 12% compared to PEN 1,478'808,822 in 2019. Sales cost was PEN 866'319,075, that is, a 0.3% increase compared to PEN 863'491,414 in 2019.

NET SALES IN 2020 ADDED UP TO PEN 1,663'261,083, WHICH MEANT AN INCREASE IN 12% COMPARED TO PEN 1,478'808,822 IN 2019. SALES

Net profits in 2020 were PEN 385'559,461, which meant an increase in 28% compared to the 2019 result, which was PEN 301'139,907. The increase in the Price of gold favored this result.

### GENERATION OF ECONOMIC VALUE FOR STAKEHOLDERS (PEN)

		2020	2019
Direct Economic Value Generated Income	Net sales and income from financial investments, insurance indemnification and asset sales	1,604'750,376	1,434'293,397
Supplier payments	Payment to suppliers, royalties, and payments for facilitation or donations	753'768,852	725'880,271
Employee salaries and benefits	Total payments to employees and social contributions. Does not include future payment commitments	110'539,262	71'538,572
Government payments	Gross taxes and rates	186'384,130	136'183,686
Investment in Communities	Voluntary contribution to and investment in the communities, including donations	10'985,919	12'892,978
<b>Withheld economic value</b>		<b>543'072,213</b>	<b>487'797,891</b>

### INDEBTEDNESS

During 2020, short and medium-term bank financing operations were carried out to cover our investment needs and access lower interest rates. In this regard, the short-term promissory note was refinanced in August: from USD 11.5 million (EAR 2.45%) for a total amount of USD 13 million at an EAR of 1.75%. All the same, on December, midterm promissory notes were refinanced from USD 13.36 million (EAR 4.14% in average) for a total amount of USD 16 million, with an EAR of 2.20%.

As of December 31st, 2020, the average price of the financial debt was 2.32% (Effective Annual Rate) It was 3.87% in 2019.

Hedging and leverage ratios were maintained as follows:

- Hedging ratio = **99.40 (EBITDA/ financial expenditure)**
- Leverage ratio = **0.16 (total debt / EBITDA)**
- Long term debt hedging ratio LP = **8.42 EBITDA/ (Financial Expenditure + payments Long term debt)**



BANK	BALANCE AS OF 12.31.2020 (millones USD)	TYPE OF DEBT
SCOTIABANK	1.00	Mid-term loan 2016
	13.00	Working capital
	2.76	Financial leasing
SANTANDER	0.80	Financial leasing
BCP	1.00	Financial leasing
	16.00	Mid-term loan 2020
BBVA CONTINENTAL	0.76	Financial leasing

**COST EVOLUTION**

In 2020 there was a 15% reduction in ounce production compared to the previous year due to the pandemic. The cash cost per ounce produced was 13% greater than in 2019 (from 583 to 659 USD/oz), while the cash cost in US Dollars was 4% greater compared to 2019 (from 132.2 MM to 137.2 MM). This, among other factors, was the result of unexpected costs related to the pandemic.

The total cost per ounce increased by 18% compared

to 2019, moving from USD 852.81/oz to USD 1,010.70/oz in 2020.

**AVERAGE GOLD PRICE**

The uncertainty caused by the pandemic during 2020 disrupted the world economy. Partial and total economic shutdowns left a high impact on both developed and developing economies. Central governments had to support their economies through stimulus plans, which were interpreted by market participants as bullish for the

price of gold. The hedging quality of bullion was boosted during 2020 and the gold price reached record highs.

The international price of gold increased by 25.12 % compared to the former year. The average price of gold spot was USD 1,771.221 during 2020. The lowest price was recorded in April, when the quotation reached a low of USD 1,471.25. On the other hand, the price of gold reached a historical peak of USD 2,063.55 per ounce in August, as investors assessed the increasing geopolitical

risks and the prospect of further stimulus to combat the consequences of the coronavirus pandemic.

**AVERAGE GOLD PRICE 2014-2020 IN USD/OZ**

2020	1,771.22
2019	1,393.82
2018	1,269.02
2017	1,258.80
2016	1,249.46
2015	1,160.20
2014	1,266.16

**AUDIT REPORT**

The Audit Report, unobserved, can be found in Chapter 7 of this report. The financial statement of Compañía Minera Poderosa S.A. does not include information on other institutions.



# 3

RESPONSIBLE  
MANAGEMENT

GRI

102-11  
103-1  
103-2  
103-3

## ENVIRONMENTAL MANAGEMENT

### OUR APPROACH AND RESPONSIBILITIES

#### WHY IS ENVIRONMENTAL MANAGEMENT IMPORTANT?

Our sustainability strategy is the foundation of our responsible environmental management, providing soundness to our vision and mission. Our commitment consists of developing our mining operations and projects in an environmentally responsible manner. We focus on guaranteeing a healthy environment, on using natural resources efficiently for the sustainable development of our operations and the environment, on the application of good environmental practices, on

the use of clean technologies and innovative solutions to continuously improve the environmental controls.

#### HOW DO WE MANAGE THIS APPROACH?

At Poderosa we take environmental precautions. We have set up environmental management plans, environmental component monitoring programs, environmental enhancement projects and we use technology to reduce pollution in every process in the mine. On the other hand, we comply with the regulations, we carry out Environmental Impact Assessments (EIA) to get the certification of our projects and we execute closure plans for those components that will not be used any more.



Consequently, and according to our Environmental Management System, based on ISO 14001:2015, we identify the organization's environmental aspects and establish the controls in every stage of the mining cycle to prevent, control and mitigate the impact of our operations in the environment.

#### HOW DO WE ASSESS OUR MANAGEMENT APPROACH?

We verify compliance of the environmental management system monthly, using a the "environmental performance" global indicator in every process of the mine. Environmental performance is made up by the compliance with environmental programs, commitments and legal requirements based on the EIA, ISO 14001:2015 requirements and applicable regulations. The evidence of compliance is obtained through field inspections, documents, and audits. Every June 5, on World Environment Day, the processes that have achieved the best environmental performance during the former year receive a special prize.

## KEY INDICATORS



# ZERO

SIGNIFICANT ENVIRONMENTAL ACCIDENTS  
IN OUR OPERATIONS

WATER

# 65%

OF THE  
WATER  
IS RECYCLED

# 25%

EFFICIENCY  
ENHANCEMENT OF  
THE WATER TREATMENT  
PLANT

### GREENHOUSE GASES (GHG) BELOW THE MAXIMUM PERMISSIBLE LIMITS

HAZARDOUS  
INDUSTRIAL  
RESIDUES(T/  
YEAR)

**86.84** 2019 **47.73** 2020

## 3

RESPONSIBLE  
MANAGEMENT

GRI

103-1  
103-2  
303-2**EFFICIENT WATER  
MANAGEMENT****WHY IS EFFICIENT WATER  
MANAGEMENT IMPORTANT?**

According to the results of image perception and materiality validation carried out in 2020, water was one of the most relevant topics for our stakeholders, and it is especially sensitive for our neighboring communities. Adequate water management is one factor, which, together with environmental behavior, strengthens positive perception about our company for it impacts both inside as outside the operations. Clean and quality water is essential to all human activities; therefore, it is necessary that we adequately manage the impact of our activities on this resource.

**HOW DO WE MANAGE THIS  
APPROACH?**

We meet high water quality and quantity as well as the regulations in force, and we are constantly working to optimize the use of this resource throughout our operations, improving recirculation of the effluents produced by the filtration of the tailings and comprehensive reuse of the

effluents coming from the treatment of the domestic residual plants. We also use underground water and water outcrops for the cyanidation plant and for human consumption, after treating it in ultrafiltration plants. In this regard, we have water use licenses approved by the corresponding authority. We continue to implement water flow meters at the camps, canteens, and production areas to continue with the water use optimization plan.

On the other hand, we are working on a water footprint report of the mining unit, which will enable us to manage better strategies year after year, to reduce and optimize water consumption even more. At the canteens in the five camps, we have started the installation of water taps with sensors to avoid water waste; all the same, other actions will be implemented gradually to reduce our water footprint.

Regarding our neighboring communities, our Community Relations department carries out activities to improve drinking water quality and to strengthen its administration. In this regard, we have trained the Sanitation Management Boards (JASS) so that they can solve



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MANAGEMENT



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problems with intake, water conduction, tank cleaning and water measuring. All the same, the fees charged to the dwellers are used to solve any problems that may occur with any of the drinking water system components.

### WATER USE

Currently, the water we use comes from superficial and underground water. Our water consumption level is below the total volume authorized by the National Water Authority (ANA). The

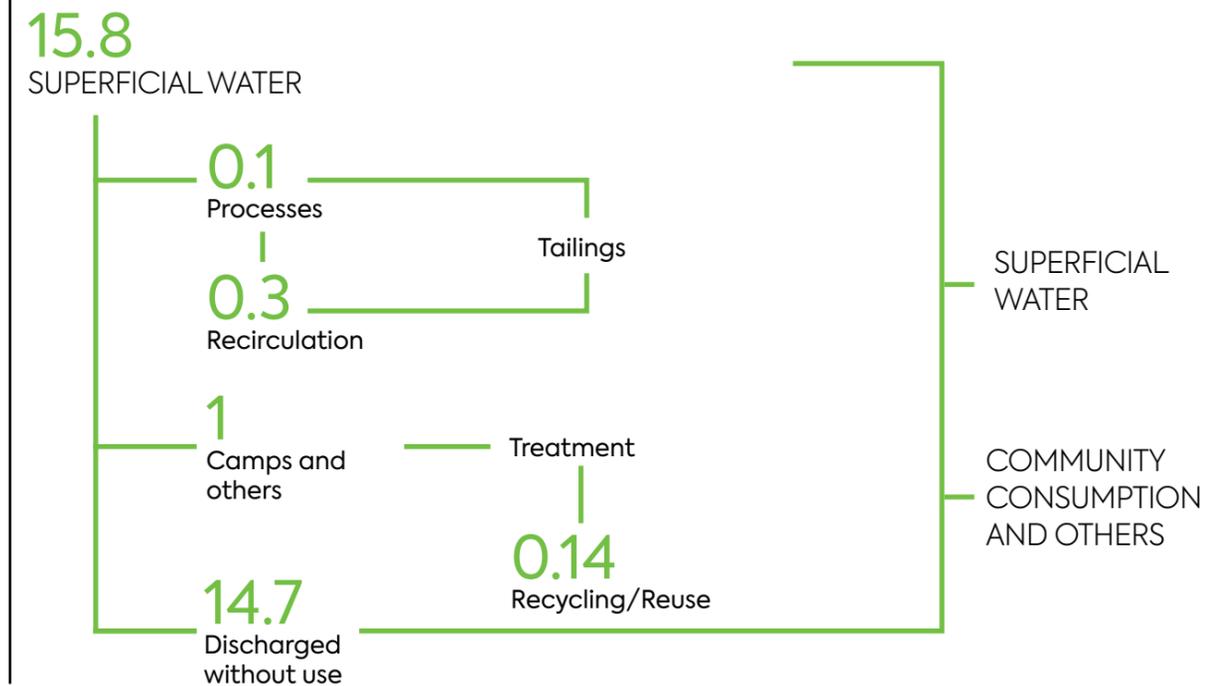
average annual water supply at El Oso and Chorro Blanco is 15'168,816 m<sup>3</sup>/year. ANA granted a license to use approximately 400l/s; the excess is kept as part of the ecologic flow, and it is used by the community. On the other hand, after generating energy at the Alberto Samaniego hydroelectric power station, the water is discharged to the original river course, El Tingo, except for 25 l/s, authorized by ANA, which are used in our operations at Vijus mining camp.



For our mining operations at La Lima, El Tingo and Papagayo, as for the camps and green areas, we have a license for water use up to 315,360 m<sup>3</sup>/year. Our operations in Cedro have demanded a mining use license for water of up to 37,843 m<sup>3</sup>/year, water is extracted from inside the mine.

The technology used at the tailings and residual water plants allow water recovery and a reduction in freshwater consumption, as shown in the following table. During 2020 digital gauge systems (flowmeters) were installed.

### PODEROSA 2020 GENERAL BALANCE (MILLION M<sup>3</sup>)



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MANAGEMENT



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### WATER CONSUMPTION AUTHORIZED BY THE WATER AUTHORITY VERSUS ACTUAL CONSUMPTION 2020

ZONE	ANAAU-THORIZED CONSUMPTION (M <sup>3</sup> /YEAR)	REAL CONSUMPTION (M <sup>3</sup> /YEAR)	DIFFERENCE AUTHORIZED VS ACTUAL CONSUMPTION (M <sup>3</sup> )	% CONSUMED AS PER AUTHORIZED	% CONSUMED FROM THE SOURCE	WATER SOURCE	WATER SOURCE
Vijus	788,400	610,659.54	177,740.46	77.46	<5	Quebrada Chorro Blanco y El Oso	Surface water
Paraíso	315,360	239,136.84	76,223.2	75.83	<5	Río Lavasén	Surface water
Cedro	37,843	18,822.55	19,020.5	49.74	<5	Marleny	Surface water
	161,149	30,373.64	130,775.4	18.85	<5	Quebrada Santa María	Surface water
	68,433	49,921.92	18,511.1	72.95	<5	Virginia	Surface water
Santa María	100,915	67,169.06	33,745.9	66.56	<5	Puquiopata	Surface water
	946,080	24,308.64	921,771.4	2.57	<5	Río Francés	Surface water



### PERCENTAGE AND VOLUME OF RECYCLED AND REUSED WATER

PROCESSING PLANT	WATER INTAKE TO THE PLANT (M <sup>3</sup> )	RECIRCULATED LEACHING SOLUTION (M <sup>3</sup> )	NECESSARY WATER VOLUME FOR MINERAL PROCESSING (m <sup>3</sup> )	% OF WATER REUSED
Marañon mineral processing plant (789 MTPD)	18,921.6	186,851.2	205,772.8	90.8
Santa Maria mineral processing plant (764 MTPD)	64,647	110,958	175,605	63.19

Water flow (m<sup>3</sup>) is measured with flowmeters. The water is reused in the plant process. Calculation methodology is through mass balance. Both fresh and recirculated water are measured.

HOUSEHOLD RESIDUAL WATER PLANT	INTAKE VOLUME (M <sup>3</sup> /YEAR)	TREATED VOLUME	REUSED VOLUME (M <sup>3</sup> /YEAR)	% REUSED
Household residual water plant– MBBR–Vijus	34,689.6	34,689.6	32,955.1	95
Household residual water plant– Compact Paraíso	10,139.5	10,139.5	10,139.5	100
Household residual water plant– Conventional Paraíso	30,004.8	30,004.8	30,004.8	100
Household residual water plant– Santa Maria	60,340.4	60,340.4	60,340.4	100

Water flow (m<sup>3</sup>) is measured with flowmeters. The quality of the treated water which is reused meets the ECA for risk water (category 3): D.S. N° 004-2017-MINAM. Treated water is reused for irrigation of green areas and roads in the different mining units. Calculation methodology es through mass balance.

# 3

## RESPONSIBLE MANAGEMENT



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### PARTICIPATORY MONITORING

For several years, and to promote transparency, and to show the result of our controls in the significant environmental aspects generated in our operations, we have been monitoring drinking water quantity and quality, and working on the water supply systems for neighboring populations together with the local authorities.

As part of Santa Maria Production Unit's environmental instrument social commitment, a participatory monitoring activity for air and water quality is scheduled twice a year. Since 2018, the Environmental Management and Community Relations department coordinates with the community authorities in the area of influence to carry out this participatory monitoring, which starts with previous training. In each training, the parameters and quality that the water and air environmental components should meet as per the regulation, are explained. These are measured to

comply with environmental quality standards (ECA) regulations.

We also intervened in participatory monitoring organized by the Huamacucho Local Water Administration (ALA) together with the main local authorities. Through these activities, the reception water bodies in our operations are monitored.

Unfortunately, in 2020 the participatory monitoring scheduled for April and October were not performed because of the pandemic generated by the covid-19 and the social distancing measures in place. However, to guarantee the good relations with the population around us, the Community Relations area was available online to respond any doubts about this issue, taking into account all biosecurity measures.



### EMISSIONS MANAGEMENT

#### WHY IS IT IMPORTANT TO CONTROL GAS EMISSIONS?

The mining industry consumes large amounts of energy during its extraction, smelting, production, material transfer and other supporting processes. Energy use causes greenhouse gas (GHG) emissions that contribute to climate change. Therefore, we focus on maintaining an efficient operation and developing projects that provide cost savings and environmental benefits inside and outside our operation, thereby minimizing our footprint.

#### HOW DO WE MANAGE GAS EMISSIONS?

We have developed a gas emissions management plan to monitor, control and keep emissions below the maximum allowed standards, pursuant to the legal provisions in force. Monitoring is performed by a laboratory certified by the Instituto Nacional de Calidad (Inacal).

#### HOW DO WE ASSESS GAS EMISSIONS AT THE SMELTER?

The smelting activity is a batch process. According to our environmental assessments, a quarterly monitoring of emissions is carried out pursuant to the provisions of Ministerial Resolution N° 315-96-EM/

VMM. The main greenhouse gases considered in this environmental instrument are SO<sub>2</sub>, CO and NO<sub>x</sub>. The smelting load composition and preventive maintenance of the gas treatment system are important factors to achieve good results in the emission quality.

To improve the quality of emissions, Poderosa has implemented induction furnaces (electric) to replace its oil furnace, thus eliminating a large amount of combustion gas concentration.

During the second quarter of 2020 the emissions were not monitored due to the pandemic lockdown.





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**RESULTS OF SMELTER EMISSIONS IN THE MARAÑÓN PRODUCTION UNIT 2020**

Chimney	OTHER GASES					GHG	
	Particulate Material (mg/m <sup>3</sup> )	Lead (mg/m <sup>3</sup> )	Arsenic (mg/m <sup>3</sup> )	Sulphur Dioxide (t/d)	Carbon monoxide (mg/m <sup>3</sup> )	Nitrogen oxides (mg/m <sup>3</sup> )	
1T Smelter	55.23	0.95670	1.30886	0.00450	2.50	2.05	
1T Resmelter	134.09	5.77206	3.07025	0.00260	4.17	2.12	
2T	NOT CARRIED OUT DUE TO STATE OF EMERGENCY MEASURES						
3T Smelter	20.57	0.52225	0.76060	0.00520	23.73	37.38	
3T Resmelter	13.34	0.72968	0.85972	0.01010	1.32	177.23	
4T Smelter	33.44	2.39448	2.15698	0.0008	6.30	<1.8	
4T Resmelter	94.09	4.48074	6.21227	0.0016	<1.15	<1.8	
MPL any time (mg/m <sup>3</sup> )	100	25	25	20	NE	NE	

\* NM: not measured NE: not demanded \* Measurement and analysis methodology: EPA CTM 030 (test), October 13, Rev 7, 1997

**HOW DO WE ASSESS ELECTRIC POWER GENERATOR EMISSIONS MANAGEMENT?**

The results of the electric power generator emissions during 2020 were below the MPL. It is important to mention that these generators run to cover the excess demand of energy and when there are power

outages in the National Interconnected Grid (SEIN). Currently, our operation receives energy from the SEIN and it is complemented with the energy produced in our Jose Alberto Samaniego hydroelectric power station. This way, we have significantly reduced the percentage of greenhouse gas emissions released by the electric power generators.

**RESULTS OF ELECTRIC POWER GENERATOR EMISSIONS IN THE MARAÑÓN PRODUCTION UNIT 2020**

Month	Chimney	OTHER GASES		GHG
		CARBON MONOXIDE (MG/M <sup>3</sup> )	SULPHUR DIOXIDE (MG/M <sup>3</sup> )	NITROGEN OXIDE (MG/M <sup>3</sup> )
1T	CAT 3412 N.º 2	330.1	194.47	1,786.55
	CAT 3412 N.º 3	334.27	197.33	2,158.75
	CAT 3516	85.86	239.28	3,301.65
	EMD 1	408.88	136.32	2,080.16
	EMD 2	429.3	86.75	1,661.33
	White superior	498.49	101.05	2,126.78
	C-27	134.62	214.49	2,068.11
2T	NOT CARRIED OUT DUE TO STATE OF EMERGENCY MEASURES			
3T	CAT 3516	128.68	425.3	2,730.91
	CAT 3412 N.º 2	371.52	178.16	1,620.86
	CAT 3412 N.º 3	363.7	182.09	1,555.58
	EMD 1	201.23	200.87	1,472.6
	EMD 2	109.2	117.03	1,094.69
	White superior	340.22	95.19	1,403.87
	C-27	120.28	130.13	1,611.01
4T	CAT 3516	INOPERABLE		
	CAT 3412 N.º 2	387.94	12.23	1,871.66
	CAT 3412 N.º 3	526.17	13.10	1,134.83
	EMD 1	244.90	64.19	1,344.73
	EMD 2	571.38	17.47	1,321.09
	White superior	689.97	<2.26	1,903.77
	C-27	MAINTENANCE		

Supreme Decree Project MPL Gas emissions, electricity industry (FEBRUARY 13, 2004) \* Measurement and analysis methodology: EPA CTM 030 (test), October 13, Rev 7, 1997.

Sampling Methodology: **a. Particulate Matter.** USEPA Method 5: Determination of Particulate Matter Emissions From Stationary Source 40 CFR Part 60 USEPA: based on the principle of isokinetic sampling, which consists of capturing the aspiration gases at the same speed as the ones inside the chimney. The particulate matter is determined gravimetrically after the unmixed water has been extracted. AP-42 Methodology: Stationary Point and Area Sources Factor Emissions Compilation (USEPA 1985), that allows estimating the pollutant emission loads expressed in Kg/h, according to the type and volume of fuel used, as well as the operating period of the source. **b. Sulphur Dioxide.** US EPA Method 6: Determination of sulfur dioxide emissions from stationary sources. Described in the 40 CODE OF FEDERAL REGULATIONS, Part 60. This measurement is performed together with the isokinetic measurement. Sulfuric acid vapor is separated (including sulfur trioxide) from sulfur dioxide. Both fractions are measured separately by the barium-thorin titration method. (Specific for high concentrations of SO<sub>2</sub>). **c. Metallic elements lead, arsenic.** Analysis in particle sampling filters, according to the method indicated: Lead and Arsenic: CFR Title 40, ANNEX A-8 to part 60, Method 29. 2014. Determination of Metal Emissions from Stationary Sources. **d. Gases and complementary parameters.** Gas measurements were performed based on the principle of electrochemical cells according to CTM-030 (EPA) guideline, using TESTO equipment. **e. Gas exit velocity.** US EPA Method 1: Localization of sampling points and velocity speed from stationary sources. US EPA Method 2: Determination of velocity and volumetric flow in chimney gases.

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## RESPONSIBLE MANAGEMENT

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### MATERIALS MANAGEMENT

#### WHY IS IT IMPORTANT TO ADEQUATELY MANAGE THE MATERIALS WE USE?

Because adequate management of the waste we generate contributes to reducing the impact on the environment and on human health, both inside and outside our operations. Likewise, tailings facility management is essential to maintain hazardous waste storage facilities in good conditions of physical and chemical stability.

In this sense, the sustainability of activities, neighboring communities and the environment are fundamental to establish controls and implement the required process improvements, aligned with our Sustainability Statement. We produce hazardous and non-hazardous waste; therefore, we establish adequate plans and strategies to ensure

their efficient long-term management.

#### HOW DO WE ACHIEVE THIS?

The practice of the 3R principle: Reducing, Reusing and Recycling, has become a powerful tool to minimize our waste. We work on raising awareness among our workers, contractors, and the population, about the importance of adequate waste handling as to reduce soil pollution and waste generation.

It is important to replace materials with those that are eco-friendly. We have initiated this action by replacing traditional light bulbs with LEDs, installing water-saving systems, using biodegradable detergents, among others.

Also, in 2019 we implemented a plant to produce compost from organic waste, which is used to fertilize the green areas of our facilities. By 2021, we plan to improve the quality of the compost by implementing vermiculture.

On the other hand, we continue to work on raising awareness about the importance of adequate hazardous materials handling (fuel, hydrocarbons, chemical reagents, etc.) to prevent pollution. All the same, we have two vehicles that collect the residues and take them to the land fill, industrial fill, hazardous solid residues warehouse or hazardous waste materials pile, according to their classification and type.

Water, energy, chemical inputs, minerals, and timber are the most used resources

WE AWARENESS ABOUT THE IMPORTANCE OF ADEQUATE HAZARDOUS MATERIALS HANDLING (FUEL, HYDROCARBONS, CHEMICAL REAGENTS, ETC.) TO PREVENT POLLUTION.

used in our operation processes. As production increases, so does mineral extraction and the use of materials.

To control and reduce the use of timber for mine support purposes, we are using helical bolts, metallic

beams, shotcrete, and other accessories. All the same, the newly exploited pits are filled with hydraulic filling.

Cyanide, lime, zinc, sodium carbonate and borax are used in mineral processing and in end product production.



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RESPONSIBLE  
MANAGEMENT



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MM3

### MATERIALS USED PER TYPE AND VOLUME 2016-2020

MATERIAL	TYPE	2016	2017	2018	2019	2020	UNIT
Timber *	Renewable	9,794	8,366	6,872	7,687	54,679	Pzas.
Timber (sq ft)**	Renewable	577,491	1'801,906	1'800,895	2'464,545	133,176	Pzas.
Fuels	Nonrenewable	1,510	1,628,353	2'037,822	2'024,281	1'563,498	gal
Lubricants	Nonrenewable	40,296	45,563	48,438	59,257	32,775	gal
Greases	Nonrenewable	10,600	13,621	12,722	15,851	10,959	kg
Borax	Nonrenewable	9,600	8,825	9,025	13,664	11,050	kg
Sodium Carbonate	Nonrenewable	500	400	550	750	400	kg
Cyanide	Nonrenewable	401,000	427,000	448,000	500,000	482,000	kg
Zinc Powder	Nonrenewable	26,500	23,950	24,650	30,600	24,250	kg
Lime	Nonrenewable	534,090	535,200	507,680	718,833	717,660	kg
Screws	Nonrenewable		107,298	180,385	196,168	124,388	Jgos.
Meshes	Nonrenewable		4,931	6,875	7,074	5,529	rollos



### SUMMARY OF THE RESIDUES GENERATED IN 2020, PER TYPE AND TREATMENT METHOD

	GENERAL/ DOMESTIC (T/ YEAR)	NON- HAZARDOUS INDUSTRIAL WASTE (T/YEAR) METALLIC	GENERAL/ DOMESTIC (T/YEAR)	NON-HAZARDOUS INDUSTRIAL WASTE (T/YEAR) METALLIC	GENERAL/ DOMESTIC (T/ YEAR)
Final Disposal	Poderosa	Gestion de Servicios Ambientales SAC, Innova Ambiental SAC and Petramas	Petramas	Corporacion Medioambiental Ampco Peru SAC	Poderosa
Classification	Nonhazardous	Hazardous	Hazardous	Hazardous	Non-Hazardous
Treatment method	Deposited in a sanitary landfill	Final disposal in security landfills	Security landfill	Recycled and sold	Recycled, recovered, and sold
Total 2020	1'077.38	47.73	0.80	17,505	439.36
Total 2019	808.59	86.84	0.68	22,356	451.89
Total 2018	1'185.24	74.49	0.59	21,282	422.03
Total 2017	825.23	55.08	1.03	25,320	358.68
Total 2016	965.25	90.60	1.40	15,200	228.60
Total 2015	882.31	102.09	1.26	19,608	152.02

### TAILINGS AND WASTE ROCK TAILINGS MANAGEMENT FACILITIES

We have tailings management facilities to deposit tailings (waste from ore processing) and waste rock (waste from the mining process). These facilities have a detailed engineering file that

establishes the dimensions, general design, auxiliary control components, such as coronation channels, geotechnical measuring instruments, operations manual, among other controls that allow reviewing the physical and chemical condition of the waste facility. In this way, we ensure that the tailings and waste

rock dumpsters are safe facilities for the process, the environment, and the surrounding community. It is important to mention that the tailings and waste rock



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dumpsters require approval from the authority (MINEM General Mining Direction - DGM) before they start operating, all the same, Osinergmig constantly verifies the compliance with the controls established in the files and the approval resolutions.

### TAILINGS GENERATION (NUMBER T /YEAR)

TAILINGS POND	
Marañón tailings	339,843
Santa María tailings	280,002
<b>Total</b>	<b>619,845</b>

### WASTE ROCK GENERATION AMOUNT T/YEAR

DUMPSTER	
Marañón	220,687
Santa María	318,149
<b>Total</b>	<b>538,836</b>

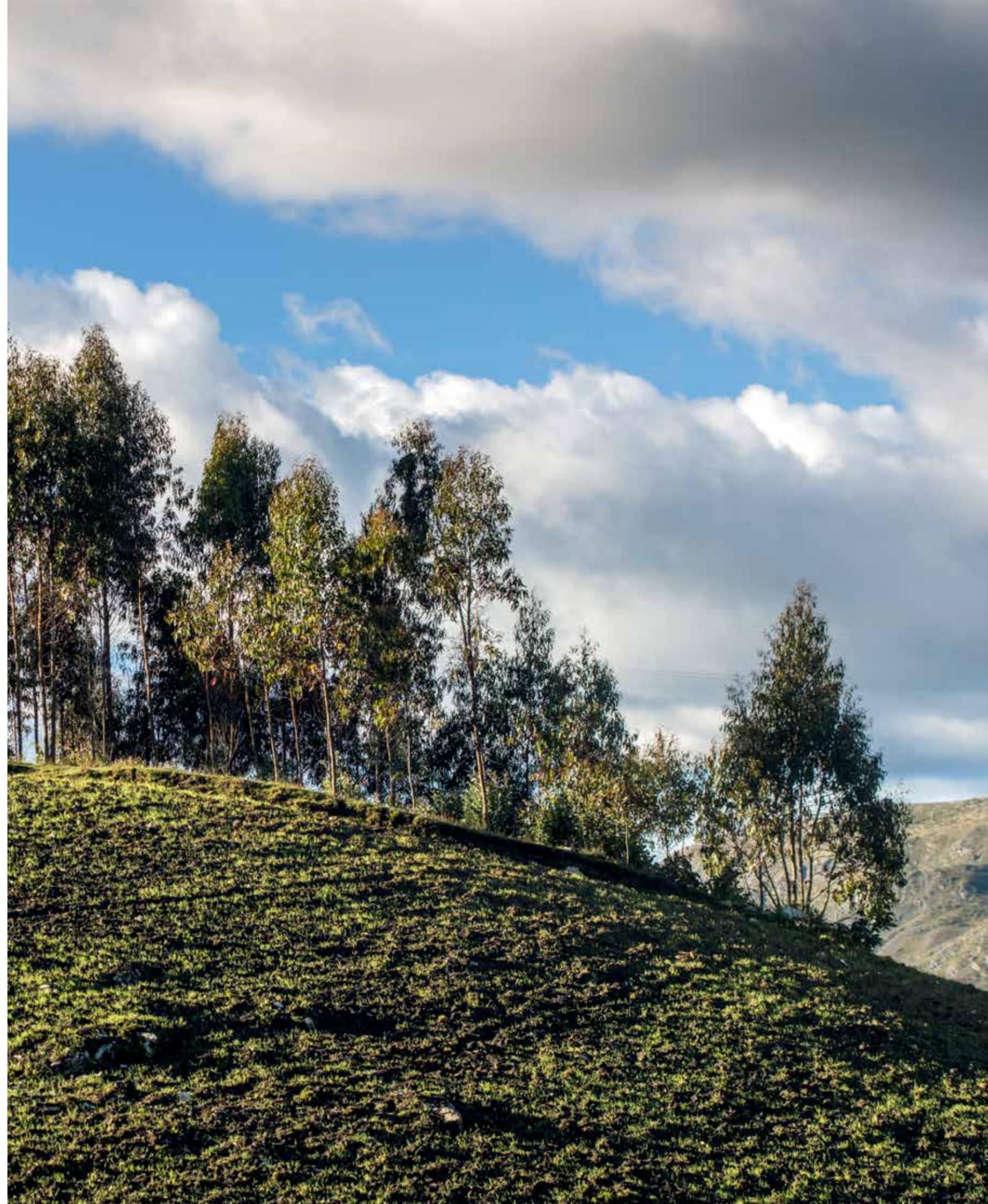
## RESPECT FOR BIODIVERSITY AND CULTURE

### WHY IS THIS APPROACH IMPORTANT?

Human activities, especially those that occupy large areas and develop infrastructure, such as the activity we carry out, can have an impact in the habitat of different types of species and can affect the balance of the ecosystem in general. Therefore, we consider that it is important that our work is carried out with respect and minimizing risk and generating control mechanisms to preserve our environment. This management approach is external to the company.

### HOW DO WE MANAGE THIS APPROACH?

Before the start of our operations, we carry our environmental studies to measure their impact on the environment, according to the legal provisions in force, and we implement the Environmental Management Plan and Environmental Compensation Plan as mitigation measures to



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RESPONSIBLE  
MANAGEMENT



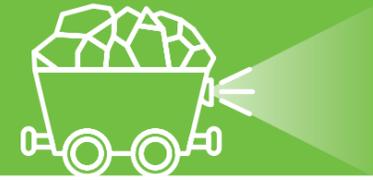
304-1  
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MM2

reduce environmental impacts, such as noise, use of land, among other. Therefore, as part of the management plans of the Environmental Impact Assessment, we carry out biologic monitoring of the flora, fauna, and hydrobiology in the area of influence of our operations.

To improve our environmental management, we continue to work to optimize the environmental management system based on ISO 14001:2015. These measures, according to the River Abiseo National Park Master Plan, include protecting endangered endemic birds, forests and native plant species protected by domestic laws. Marañon and Santa Maria production units are located within the Abiseo River National Park buffer zone, between 1,200 and 2,900 m.a.s.l. They cover an approximate area of 4,746 hectares; however, direct operations are carried out

in 2,500 hectares. Due to the location of our mining operations, there are no possible environmental, cultural, or social impacts on the National Park natural protected area. All our operations have a biodiversity management plan.

The purpose of measuring biodiversity before the start of the operations is to understand the characteristics of the biodiversity in the environment and their ecosystems, during the mine's full operation. These monitoring allow to quantify the existing biodiversity and compare them to the measures taken throughout the operations. All the same, to use a conservation plan or a realistic compensation plan, it is important to quantify the biodiversity in the area of influence to take actions leading to improve the conditions to increase biodiversity.



## SPECIES UNDER CONSERVATION AND VULNERABILITY STATUS IN THE PATAZ DISTRICT, LA LIBERTAD

As part of Poderosa's commitment with the zone's biodiversity, and as established in the Environmental Management Plan included in the Environmental Impact Assessments (EIA), we carry out periodic flora and fauna evaluation and monitoring to have standardized and biological information that allows follow-up of the evolution and regeneration of the wildlife.

### FLORA

**VULNERABLE**

*Jacaranda acutifolia*  
*Caesalpinia spinosa*  
*Jatropha macrantha*

**ALMOST THREATENED**

*Tecoma sambucifolia*  
*Salvia oppositifolia*  
*Acacia macracantha*  
*Iresine weber*

## FAUNA

MAMMALS

**ENDANGERED**

*Tremarctos ornatus*

**ALMOST THREATENED**

*Phyllotis andium*  
*Casi*  
*amenazada*  
*Eremoryzomys polius*  
*Artibeus fraterculus*  
*Artibeus planirostris*  
*Glossophaga soricina*  
*Micronycteris megalotis*  
*Sturnira oporaphilum*  
*Carollia perspicillata*  
*Lycalopex culpaeus*  
*Puma concolor*

REPTILES

**ALMOST THREATENED**

*Flavipunctatus*  
*Sibynomorphus sp.*  
*Micrurus cf. mertensi*  
*Epictia sp.*  
*Stenocercus omari*

AMPHIBIANS

**ALMOST THREATENED**

*Rhinella gr. spinulosa*

BIRDS

**ALMOST THREATENED**

*Forpus xanthops*  
*Columba oenops*

# 3

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MANAGEMENT



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MM10

## MINE CLOSURE PLAN

The mine closure plan is an environmental management instrument for rehabilitation, which includes technical and legal actions that must be executed by the titleholder of the mining activity to restore the areas used or disrupted by its activities so that they meet ecosystem characteristics that are compatible with a healthy and suitable environment for the development of life and for landscape preservation.

### WHY IS MINE CLOSURE MANAGEMENT IMPORTANT?

Mining activities have a finite life span therefore, we must be responsible and manage the future impact of our operations. This includes site remediation, and during the process closure, we must ensure that no hazards are left behind to cause harm to the environment and to people's health.

### HOW DO WE MANAGE THIS APPROACH?

We meet the industry standards. We therefore design mine closure plans

at feasibility level, and we execute the closure of components that have completed their operation lifetime; establishing financial guarantees for those components scheduled for the final closure stage and mine post closure maintenance.

In 2018, the Fourth Modification to Poderosa Mining Unit Closure Plan was approved by RD N° 102-2018-MEM-DGAAM, to modify the life span of the mine and to modify and update the mining component's progressive and final closure. The aim is to guarantee physical, chemical, and hydrologic stability of the components and to restore the disrupted area through revegetation. In 2020, because of the pandemic, we were unable to complete the scheduled projects. Maintenance measures and post closure monitoring activities were performed, together with engineering studies for a total amount of USD 29,291.75.



## MINE CLOSURE PLAN DESCRIPTION

APPROVAL YEAR	MINE CLOSURE PLAN DESCRIPTION	APPROVAL RESOLUTION
2010	Mine closure plan	R.D.119-2010-MEM-AAM
2011	1st Modification to Mine Closure Plan	R.D. 121-2011-MEM-AAM
2013	Update of the Mine Closure Plan	R.D. 298-2013-MEM/AAM
2016	2nd Modification to Mine Closure Plan	R.D. 065-2016-MEM-DGAAM
2017	3rd Modification to Mine Closure Plan	R.D. 093-2017-MEM-DGAAM
2018	4th Modification to Mine Closure Plan	R.D. 102-2018-MEM-DGAAM
In process	2nd update of the Mine Closure Plan	Presentado a DGAAM marzo-2020

## EXECUTED COSTS AS GRADUAL CLOSURE MEASURES IN 2020 (USD)

	EXECUTED BUDGET					TOTAL EXECUTED
	2016	2017	2018	2019	2020	
Total investment	1'155,132.02	1'152,583.53	1'629,210.39	192,856.69	29,291.75	8'559,486.41
Total accrued investment	5'559,862.35	6'712,445.88	8'341,656.27	8'534,512.96	8'563,804.7	

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MANAGEMENT



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307-1

## FORESTATION

The benefits of the forestation and reforestation activities carried out by our company are many. They help improve air and soil quality, they create natural flora and fauna habitats and generate productive activities in the communities in our area of influence. All the same, forestation reduces our carbon footprint.

The main purpose is to compensate the use of timber in our operations, enhance the environment and provide more clean air to

the environment. Every year, within our annual budget, we allocate funds to carry out forestation activities in our land, in agreement with the community members as well as to foster agro-industrial activities.

DURING 2020, 728,290 PLANTS HAVE BEEN SOWN, AND THEY ARE DISTRIBUTED AMONG THE NEIGHBORING COMMUNITIES.

### AFFORESTATION ACTIVITIES IN 2020

COMMUNITY	No. of trees planted	No. of hectares reforested or forested	Type of tree	Financing	Executed by	Benefit
Macania	24,000	17.77	Eucalipto	Poderosa	Asociación Pataz	Asociación Macania
Chugay	220,000	264.01	Pino	Poderosa	Asociación Pataz	Coopandina
Chugay	10,000	12.5	Quinual	Poderosa	Asociación Pataz	Coopandina
Tayabamba	367,290	330	Pino	Poderosa	Asociación Pataz	CC La Victoria
Tayabamba	107,000	130	Quinual	Poderosa	Asociación Pataz	CC La Victoria

IT IS WORTHWHILE MENTIONING THAT THROUGHOUT THE HISTORY OF THE COMPANY MORE THAN 4,528 HECTARES HAVE BEEN FORESTED WITH OVER 5' 677,075 TREES PLANTED

## FINES AND NON-MONETARY SANCTIONS FOR VIOLATION OF ENVIRONMENTAL REGULATIONS

In 2020, the Environmental Assessment and Control Agency – OEFA imposed an administrative sanction for three detected infractions of minor risk to the human and environmental surroundings. This happened during the environmental supervision carried out between August 16 and 21, 2017 to verify compliance with environmental commitments and obligations established under the regulatory framework, specifically Supreme Decree N° 040-2014-EM and in our environmental instruments approved by Resolutions RD N° 450-2014-MEM/ DGAAM and RD 011-2017-SENACE-JEF/DEAR, and ITS, in force in our Marañon and Santa Maria production units, registered in the environmental management plan, environmental quality standards and regulations. Corrective measures were implemented as ordered, and their compliance was informed to the supervision

agency. On the other hand, the results of this supervision confirm our environmental performance and social responsibility; as well as our compliance with the maximum permissible levels of water quality in the effluents of the mining, metallurgy and energy processes as provided for under Supreme Decree N° 010-2010-MINAM. The infractions detected are pending resolution by the OEFA Environmental Audit Court.

## ENERGY MANAGEMENT AND PROJECTS

### WHY IS ENERGY MANAGEMENT IMPORTANT?

Adequate electric energy management allows to respond to the mining operations electric demand in a timely and reliable manner, as to reduce electricity costs in the generation, transmission, and distribution processes,



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prioritizing the reliability of the internal grid and a lower social and environmental impact.

### HOW DO WE MANAGE THIS APPROACH?

Our approach is based on an analysis of the operational areas, where we assess their future electric energy needs. To this end, electric generation projects are implemented

with Renewable Energy Resources (RER) and there are plans in place to have a sound transmission system. To achieve this, the Superintendency of Energy Projects (SPE) has implemented an energy project management procedure involving each project stage (profile, prefeasibility, feasibility, investment and start up) based on PMI standards.

### HOW DO WE ASSESS THIS APPROACH?

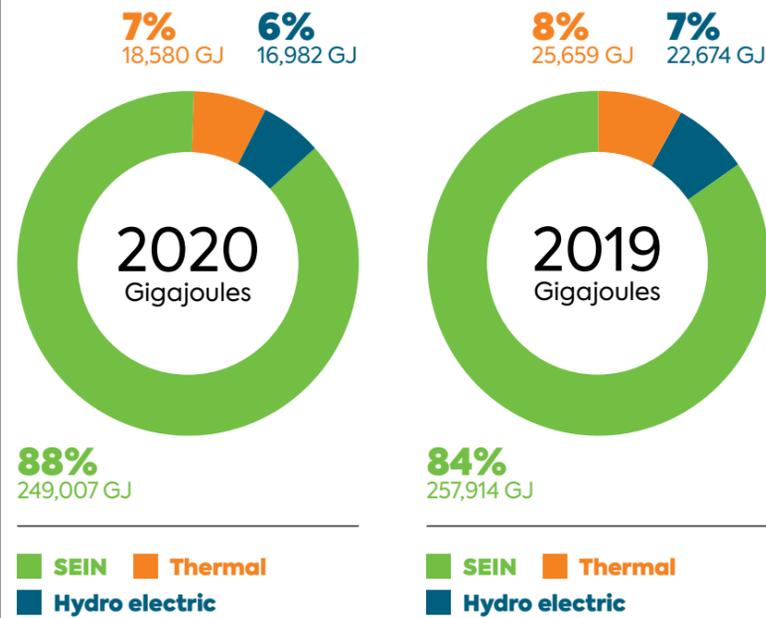
From time to time, the SPE assesses the projects' progress according to the annual program approved by the Senior Management, it reviews any possible deviations, implementing the necessary measures to orient them towards the stated objectives in a timely manner. Therefore, the improvement opportunities identified at the end of last year's internal auditing report, were executed.

During 2021, total energy consumption fell by 7.2% compared to 2019 because of the pandemic. In general,

the equipment run for fewer hours. SEIN reduced its input by 3.5%, hydroelectric power generation fell by 25.2% and thermal electric energy by 30.1%, therefore oil consumption diminished in 29.6%.

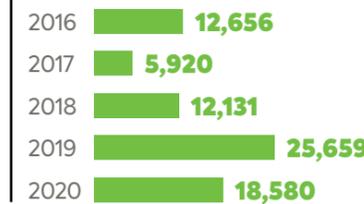
The accrued cost of energy in 2020 was 26.26 USD/GJoule. This result is 7.6% lower compared to the 2019 cost (28.42 USD/GJoule).

### ENERGY INPUT PER TYPE OF SOURCE (2020 – 2019)

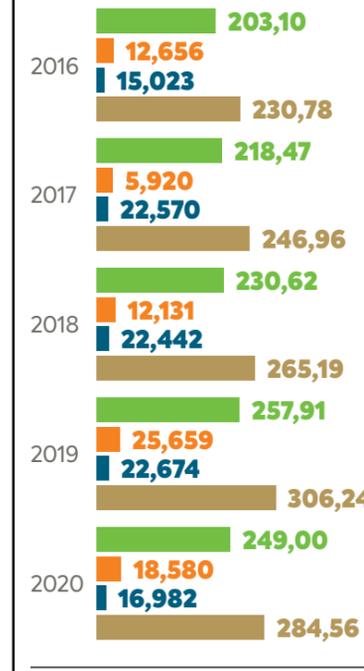


The three sources of energy are considered non-renewable

### THERMAL ELECTRIC POWER IN GIGAJOULES



### TOTAL ELECTRIC POWER DEMAND IN GIGAJOULES 2016-2020



SEIN Thermal  
Hydro electric Total

### ELECTRIC POWER TOTAL COST EVOLUTION 2016-2020 (USD/GIGAJOULES)



SEIN Thermal  
Hydro electric Consolidated

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## MINE MAINTENANCE

### Marañón

Purchase of 10-star delta panels with differential protection and 13 soft starter boards with differential protection for fans and expansion of 6,300 m of Leaky Feeder communications cable.

### Santa María

Purchase of components for locomotives; three 90V battery chargers; a Mosfet control, four 10 HP and 90 VDC electric engines and one 25 HP 140 VDC engine; one 300 HP electric engine for Sullair TS 32 compressors to cycle maintenance and for the workshops; one 150 TN hydraulic press; purchase and implementation of firefighting system for the trackless workshop at level 2,995. The following improvements were also carried out: purchase and implementation of twenty 15 and 30 HP differential protection panel boards for electric winches; expansion of the communication lines (8 km of leaky feeder) in the

main ramp, from level 2,410 to level 3090, and 2 km in levels 2,120 CR SE 3, 3,100 CR E, 2,670 CR NE and main gallery in level 2,910.

## PLANT MAINTENANCE

### Marañón

Purchase of a 16"x24" jaw crusher; a 75 HP IE3 high efficiency asynchronous engine for the 16"x24" jaw crusher; a 75 HP starter with a frequency variator for the 16"x24" jaw crusher; suspended permanent magnet to detect non crushable material installed over the 16"x24" jaw crusher"; eccentric units for the ZV6 sifter vibration system; a speed reducer for the FT11 conveyor belt; a speed reducer for the 9.5'x12' ball mill as strategic component, an engine control center with 8 15 HP frequency variators for the EP2, EP3, EP4, EP5 and EP10 thickeners discharge

pumps; automatic water tank filling system of the magnetic induction furnace cooling system and automatic pulp filling of the tailings filtering plant tank.

### Santa María

Purchase of a 16"x24" jaw crusher; a 75 HP IE3 high efficiency asynchronous engine for the 16"x24" jaw crusher; a 75 HP starter with a frequency variator for the 16"x24" jaw crusher; suspended permanent magnet to detect non crushable material installed over the 16"x24" jaw crusher.



## INSTRUMENTS AND PROCESS CONTROL

Monitoring screens were implemented in the grinding, regrinding, thickener, effluent, and precipitation processes in the Marañón plan; monitoring and control screens were installed for the 3516A, EMD1, C27-1 power generators in the JASA Thermal Power Station; monitoring and control screens were set up for the Atlas Copco and Kaishan compressors in Karola; a redundant control system was purchased

to control grinding. As to increase the availability of the 9.5' x 12' mil control and protection system; a remote-control system was implemented to action the pneumatic hoppers inside the mine in Santa María, thereby eliminating all risk to persons when discharging ore and waste rock. UPS was implemented for the controllers in the Santa María compressor house, and the power pipes valves in the Tingo Hydro Electric power station were automated.



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## MECHANIC WORKSHOP

Purchase of a KRSP2-300-100 compressor for the Santa Maria compressor house at level 3,100.

## ELECTRIC WORKSHOP

Purchase and commissioning of an on-line isolation permanent monitoring system in the general distribution board in both production units, and the 1 hoisting monorail system.

## POWER GENERATION

Purchase of medium voltage switchgear to measure and protect generators.

Improvement projects: Change of relays in the switchgears of the 25kV interconnection hall, assembly, and commissioning of an EMD2 GE turbo charger, dispatch of electric power from Poderosa (COEP) to optimize the operation of the 25 kV capacitor bank and



6.5 MVAR reactive energy from the COEP, installation of the CAT 3516B-2 electric power generation in Patatz thermal power station, and installation and start-up of the 460VAC synchronous power panel in Patatz-Santa Maria thermal power station production unit.

## POWER TRANSMISSION

### Marañón

Purchase of a rectifier/ power charger and a battery bank for Santa Monica substation; supply, assembly, and commissioning of the 25 kV transmission line from Consuelo (Hualanga substation (currently with 4.16 kV power). Change of power transformers in Santa Monica-Cajabamba substation, L-6050 transmission line exit bay.

### Santa María

Purchase and installation of four 25 kV towers for the section between Atahualpa substation and Santa Maria substation.

## HYDRO ELECTRIC PROJECTS AND TRANSMISSION LINE

In 2020, energy projects were comprehensively reviewed by the specialized consulting firm Macroinvest, and as a

result, the projects with the best economic and financial indicators were prioritized, including new renewable energy generation projects.

The following projects were developed to meet this purpose:

### Aprovechamiento hidroenergético de las cuencas de los ríos Lavasén y Quishuar (proyecto hidroenergético Lavasén-Quishuar)

This is made up by the Nimpana, Cativen I and Cativen II hydroelectric power station projects and the related transmission lines.

We continued to meet with the social commitments aimed at making the hydroelectric project viable.

### Nimpana hydroelectric power station (14.08 MW)

In January and February 2020, the conduction platform was implemented from the intake to the start of tunnel 1, (projected progress 350 m). We continued to work on the easement permits for the main components, we started coordination for the geodynamic and geotechnical survey of the area between the main intake and the machine housing, the engineering revision studies

were completed by Fichtner and Lombardi.

### Cativen I and Cativen II hydroelectric power stations (29.03 MW)

The new camp at La Conga was implemented by 80%, this will be used as the operations center for the energy projects.

### 138 KV Transmission Line, Leonidas Pacheco Cano 1 Substation, Nueva Ramada, Lagunas Norte-85 km substation

Negotiations on the easement continued with a total progress of 73% and the development of the third modification of the environmental impact study (third MEIA).

As a result of the evaluation of the energy projects by a specialized company, at the end of 2020 it was deemed appropriate to start the evaluation of the continuity of this project and to propose a strategy with respect to the concession and the permits in force.

### Reactive Power Compensation Project in 25 Kv at LPC I substation

In December the integral system was commissioned, this resulted in an improvement in the quality

and quantity of the electricity received from Cajabamba sub station (Hidrandina).

The following have been achieved through this project:

- Increased power level in the operations, with a reduction of the thermal electric generation and lower diesel oil consumption.
- Increased reactive compensation to 6.5 MVAR in the 25 kV bar at LPC I substation, which allows to draw 10 MW continuous power from Cajabamba substation.

- Reduction of losses in the LT 6050 power line, with lower invoicing costs.

**60 KV Transmission Line from LPC I Substation to Chacparrosas Substation (13 km)**

The basic and detailed engineering were completed up to 75%, the field studies were started to obtain the Environmental Impact Statement (DIA) and the easement in the area of influence. At the end of the year, the project was awarded to the company that will be responsible



for the procurement and construction of the transmission line and substations.

In November and December, the company received the new power system equipment (60 kV control, circuit-breaker, sectionalization, and measuring transformers).

**138 kV transmission line from Pampa Honda substation to V7 at LT 6050 (25 km)**

In February a visit was made to Pampa Honda substation to verify the project viability.

In December, based on the forecasted demand for the next ten years, the results of the technical and economical assessments were received from a specialized company, which concluded that this was a priority project to be completed in the mid-term to supply energy at a lower cost (USD/kWh).

**Energy supply management by SEIN**

In January, the seventh addendum to the supply contract with Hidrandina entered in force for a three-



year period (2020-2023).

The 60 kV control and measurement equipment were renewed at the Cajabamba substation. These consisted in the electricity transformers, protection system and RTU for the Scada control system. The first arrangements were made with Hidrandina and ABB to implement the reactive power compensation and energy regulation system in

the 22.9 kV transmission line to Huamachuco (contract condition of the seventh addendum).

**Nonconventional renewable energy projects**

As of October, we started assessing the energy potential and concept studies to develop photovoltaic solar, wind and hydroelectric power generation project in the Marañon river basin.

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## SOCIAL MANAGEMENT

### LABOR PRACTICES AND DECENT WORK

#### WHY IS OUR LABOR FORCE IMPORTANT?

Our workforce, our people, are our greatest asset. They are at the heart of our strategy to achieve sustainability, as they are essential in creating value for our stakeholders. Our team brings knowledge, ideas, and energy to continuously improve our operations and performance.

Therefore, we always prioritize the safety and health of our workforce, every day. This focus has been evidenced in 2020, due to the covid-19 health crisis. We have deployed several protocols and made investments to mitigate the health impact on both our staff and their families.

We believe in equal opportunities, we do not discriminate due to religion, race, gender, sexual orientation, or HIV+

condition. We seek to provide professional and personal development opportunities to our employees, and we constantly provide training, so they can improve their performance, and this be reflected in their growth. All the same we work to provide them with safe and adequate camps and worksites to carry out their activities, promoting wellbeing and good labor environment.

Likewise, we fulfill our legal responsibilities in labor aspects and undergo audits carried out by the corresponding entities.

WE SEEK TO PROVIDE PROFESSIONAL AND PERSONAL DEVELOPMENT OPPORTUNITIES TO OUR EMPLOYEES, AND WE CONSTANTLY PROVIDE TRAINING, SO THEY CAN IMPROVE THEIR PERFORMANCE, AND THIS BE REFLECTED IN THEIR GROWTH.

## INDICATORS

**USD 996,016.74**  
IN TRAINING PROGRAMS

**711** PODEROSA  
STAFF



**2,889** CONTRACTOR  
WORKERS

**193,102**  
HOURS/PERSON  
OF TRAININGEN

**694** SUPPLIERS  
EVALUATED  
ANDSELECTED



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### OUR EMPLOYEES BY TYPE OF CONTRACT AND GENDER

#### TOTAL GENERAL



77



634

TYPE OF CONTRACT	MUJERES	HOMBRES
Fixed Term		
Full time	13	51
Part time		
Indefinite term		
Full time	64	583
Part time		

### WORKERS PER JOB CATEGORY, GENDER, AND GEOGRAPHIC LOCATION

OCCUPATION	GENDER				LOCATION						
	M	%	F	%	LA LIBERTAD	%	LIMA	%	OTHER	%	
Workmen	301	48	3	3.9	231	57.5	15	9	58	40.8	
Employees	318	50	70	90.9	169	42	135	80.8	84	59.2	
Officers	15	2	4	5.2	2	0.5	17	10.2	0	0	
<b>Total</b>	<b>634</b>	<b>100</b>	<b>77</b>	<b>100</b>	<b>402</b>	<b>100</b>	<b>167</b>	<b>100</b>	<b>142</b>	<b>100</b>	
<b>%</b>		<b>89.2%</b>		<b>10.8%</b>		<b>56.5%</b>		<b>23.5%</b>		<b>20%</b>	

### WORKERS PER AGE, GENDER, AND GEOGRAPHIC LOCATION

CATEGORY	GENDER				LOCATION						
	M	%	F	%	LA LIBERTAD	%	LIMA	%	OTHER	%	
Under 30 years	36	5.7	11	14.3	25	6.2	11	6.6	11	7.7	
Between 31 and 40	154	24.3	36	46.8	92	22.9	48	28.7	50	35.2	
Between 41 and 50	217	34.2	20	26	134	33.3	51	30.5	52	36.6	
Between 51 and 60	166	26.2	4	5.1	116	28.9	32	19.2	22	15.5	
Between 61 and 70	61	9.6	6	7.8	35	8.7	25	15	7	4.9	
<b>TOTAL</b>	<b>634</b>	<b>100</b>	<b>77</b>	<b>100</b>	<b>402</b>	<b>100</b>	<b>167</b>	<b>100</b>	<b>142</b>	<b>100</b>	
<b>%</b>		<b>89.2%</b>		<b>10.8%</b>		<b>56.5%</b>		<b>23.5%</b>		<b>20%</b>	

### WORKERS THAT JOINED US IN 2020 BY AGE, GENDER AND GEOGRAPHIC LOCATION

CATEGORY	GENDER				LOCATION						
	M	%	F	%	LA LIBERTAD	%	LIMA	%	OTHER	%	
Under 30 years	9	30	3	50	5	33.3	4	40	3	27.3	
Between 31 and 40	16	53.3	3	50	9	60	3	30	7	63.6	
Between 41 and 50	3	10	0	0	0	0	2	20	1	9.1	
Between 51 and 60	2	6.7	0	0	1	6.7	1	10	0	0	
<b>TOTAL</b>	<b>30</b>	<b>100</b>	<b>6</b>	<b>100</b>	<b>15</b>	<b>100</b>	<b>10</b>	<b>100</b>	<b>11</b>	<b>100</b>	
<b>%</b>		<b>83.3%</b>		<b>16.7%</b>		<b>41.7%</b>		<b>27.8%</b>		<b>30.6%</b>	

### WORKERS TERMINATED IN 2020 BY AGE, GENDER AND GEOGRAPHIC LOCATION

CATEGORY	GENDER				LOCATION						
	M	%	F	%	LA LIBERTAD	%	LIMA	%	OTROS	%	
Under 30 years	4	14	2	22.2	2	10.5	3	23.1	1	16.7	
Between 31 and 40	4	14	3	33.3	4	21.1	2	15.4	1	16.7	
Between 41 and 50	9	31	3	33.3	5	26.3	5	38.5	2	33.3	
Between 51 and 60	1	3	1	11.1	1	5.3	1	7.7	0	0	
Between 61 and 70	11	38	0	0	7	36.8	2	15.4	2	33.3	
<b>TOTAL</b>	<b>29</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>13</b>	<b>100</b>	<b>6</b>	<b>100</b>	
<b>%</b>		<b>76.3%</b>		<b>23.7%</b>		<b>56.5%</b>		<b>23.5%</b>		<b>20%</b>	

### PODEROSA ANNUAL STAFF TURNOVER

PAYROLL	WORKMEN	EMPLOYEES	OFFICERS	TOTAL			
				2020	2019	2018	2017
ACTIVE	304	388	19	711	707	709	718
TERMINATED	4	5	1	10	25	95	74
<b>TURNOVER</b>	<b>1%</b>	<b>1%</b>	<b>5%</b>	<b>1%</b>	<b>4%</b>	<b>13%</b>	<b>10%</b>

### CONTRACTOR WORKERS ANNUAL TURNOVER 2020

PAYROLL	GENDER	WORKMEN	EMPLOYEES	TOTAL
Specialized companies, mine	Female	2	23	25
	Male	1,488	165	1,653
Specialized companies, related	Female	30	30	60
	Male	963	188	1,151
<b>Total</b>		<b>2,483</b>	<b>406</b>	<b>2,889</b>

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### LIFE QUALITY

Improving the life quality of our workers, that is, the set of conditions that contribute to the wellbeing of the individuals and to developing their skills, is the foundation of a mutual trust relationship. This approach was evident in 2020, when, thanks to the joint efforts of our personnel, we were able to overcome the difficulties. In this sense, we invested in health protection, prevention training, infrastructure, among other aspects.

Given this complicated situation, we adhered to the regulation established for covid-19 prevention and control at work. The legal framework includes the general guidelines established under the technical document "Guidelines for the surveillance, prevention and control of the health of workers at risk of exposure to covid-19", approved by Ministerial Resolution N° 972-2020-MINSA; and the specific guidelines "Sanitary protocol for the implementation of prevention and response measures against covid-19 in the mining sub sector activities, hydrocarbon subsector, and electricity

subsector", approved by Ministerial Resolution N° 128-2020-MINEM/DM and modified by Ministerial Resolution N° 135-2020-MINEM/DM.

IMPROVING THE LIFE QUALITY OF OUR WORKERS, THAT IS, THE SET OF CONDITIONS THAT CONTRIBUTE TO THE WELLBEING OF THE INDIVIDUALS AND TO DEVELOPING THEIR SKILLS, IS THE FOUNDATION OF A MUTUAL TRUST RELATIONSHIP.

We seek the well-being of all our workers, implementing preventive biosecurity measures to meet the needs of each one of them against covid-19. In our protocol for temporary stay and sanitary measures for the personnel, we stress the need for social distancing in camps, canteens, offices and working areas. All the same, during the pandemic, the following protocols were designed to



prevent covid-19, and which were standardized for all the sites:

- Implementation of boot wash stations at the entrance of the camps and canteens in the different sites
- Implementation of pedal boot wash stations at the entrance of the canteens
- Implementation of alcohol gel at the entrance of the camps and offices
- Self-service stations, cleaning, and disinfection kits in the bedrooms

We also ensure that our workers can have a pleasant rest inside the camps. Year after year we apply continuous improvement and quality policies, aimed at making our team feel proud to work with us..

#### INFRASTRUCTURE IMPROVEMENT

Several improvements were made in the Marañon Production Unit. In Paraiso drywall divisions were conditioned in the camps, to implement 89 double rooms for the workers. In Vijus new spaces were

optimized, which are now being used as bedrooms, and provide greater capacity. In Cedro, dressing rooms and bathrooms are being built not only for the company workers, but for the staff of the different contractors that work in this site. However, one of the most significant improvements in the camps was the distribution of bedding and spring mattresses for all the staff, standardizing the bed conditions and improving resting quality. These improvements accounted for 50% of the work projected. With respect to the mining contractor companies, at Paraiso, their camps were redistributed according to the operational needs.

In the Santa Maria Production Unit, igloos were set up to expand the capacity and respond to the high demand caused by the pandemic. The following facilities were set up:

- Sports field: six igloos (192 people, 96 chests of drawers were installed)
- Camp 2410: one igloo (32 people, 16 chests of drawers were installed)
- Camp 2670: one igloo (32 people, 16 chests of drawers were installed)
- Former container area: ten igloos (320 people, 160

chests of drawers were installed)

A total of 288 rooms were installed.

In addition, some beds were conditioned in the medical center and hotel 4 was assigned for patients isolated with covid-19. All the same, we changed bedding (blankets, sheets, and pillows) destined to all our workmen and maintenance activities were performed in the camps and hotels, therefore enhancing comfort for our workers.

Improving the life quality of our employees and their families is the most important purpose of the Social Welfare area. This is achieved through programs aimed at creating, maintaining, and improving the conditions that favor the employee's comprehensive development, enhancement of their life quality and that of their families.

Within the annual plan we establish, and design programs focused on motivation, training, health prevention and care in three axes: worker, family, and work. This way, we manage the strategies that will allow to implement continuous improvements for the benefit

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of the workers and their families. However, in 2020 the plans changed due to the pandemic, and in this sense, our efforts were focused on getting closer to our workers and their families, encouraging physical activity and recreation, observing the sanitary measures, and above all, providing timely and quality social assistance to those that got covid-19. Activities focused on health care, therefore we rapidly implemented strategies

to reduce physical and psychological impact of coronavirus. We put up an action plan adapted to the new reality, and, in turn, that would help improve working conditions in the units and homes.

During the crisis we found opportunities for innovation, we reinvented ourselves and we managed to move ahead and meet the demand generated by the transmission of the disease;

we assumed the challenge of managing wellbeing through digital platforms, working as a team and articulating efforts with other areas to respond to every site and worker, nationwide.

We assessed the results through surveys, where we established indicators that allowed us to know and identify the needs of the workers and to prepare action plans with opportunities for improvement on their behalf.



## INFRASTRUCTURE OF ACCOMMODATION

LOCATION	CAMPS		COMPANY		CONTRACTORS	
	STAFF		AREA (m <sup>2</sup> )	BEDS	AREA (m <sup>2</sup> )	BEDS
Paraíso	Officers		35	3	0	0
	Employee		529	98	600	96
	Workmen		469	134	2,013	578
Vijus	Officers		70	5	0	0
	Employee		657	101	462	71
	Workmen		207	69	843	281
Santa María	Officers		35	3	0	0
	Employee		750	120	856	137
	Workmen		266	74	2,661	1109
Cedro	Employee		78	13	222	37
	Workmen		93	31	759	253
<b>Total</b>			<b>3,188</b>	<b>651</b>	<b>8,416</b>	<b>2,562</b>

## ADMINISTRATIVE PROCEDURES (HEALTH AND WELLBEING)

We provided advice and support to employees in the following aspects:

- EsSalud registrations: 40 registrations before EsSalud for rightful beneficiaries, among wives and children; and 16 nursing benefits, which are oriented to care for the newborns.
- Registration with Health Care Providers (EPS): 5 registrations to Healthcare Providers.
- 185 medical leaves were processed (corresponding to daily leaves) for their registry in the payrolls within the first 20 days and subsidies.

- PEN 238,326.00 were recovered for sickness allowances, labor accidents, sequels to labor accidents and maternity leaves.
- Most of the subsidies were due to common sicknesses.
- Three maternity cases were solved.

## OTHER ACTIONS TO CONTROL COVID-19

- Family workshops on the prevention of covid-19 were developed, • In coordination with the quality area, we closed the year with the 5S project, which purpose was to help prevent covid-19 at home by applying the concepts of sorting, setting in order, and shining.

- Virtual home visits to 50 employees: covid-19 patients in vulnerable conditions, among others.
- 212 covid-19 patients received personalized attention through follow-up and monitoring in coordination with physicians until their discharge or reincorporation to the unit.
- Active breaks program for personnel working remotely to prevent occupational diseases.

## RECREATIONAL, SOCIAL AND CULTURAL ACTIVITIES MANAGEMENT

According to with the program of recreational and motivational activities,

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the holidays were initially celebrated with integration days or recreational events in the units. Later, and because of the pandemic, we started using virtual platforms to connect with our mine workers, and with those who were at home working remotely. We had a typical dance show on Independence Day, Children's Day, musical festival for Family Day, celebration of masses, anniversary of the Santa María Plant, Christmas show, nativity contests, Christmas caroling, among others.

New initiatives and strategies were developed to achieve the established objectives, including the following:

- Health care for remote work
- Information conferences and newsletters on social benefits
- Awareness raising and diffusion campaign
- After Office program for the different areas
- Virtual ceremony to acknowledge personnel for long service
- 5S project
- Active pauses program

### CANTEEN MANAGEMENT

The following activities were carried out:

- Development of and compliance with the inspection program at each unit.
- Compliance and control of significant environmental aspects
- Implementation of protocols in canteens
- Implementation of refreshment stations
- Sensitization of diners
- Implementation of paper bag covers for cutlery
- Implementation of acrylic divisions, implementation of alcohol gel dispensers and mask hangers
- Implementation of hand washing stations, alcohol gel dispensers, liquid soap and electric hand dryers, as well as polycarbonate division in every canteen and internal facilities
- Standardization of water taps with sensors at the entrance of every canteen
- Pest control: compliance with the spraying program
- Inspections and audits

### BUILDING TALENT: TRAINING

During 2020 we gave special attention to the development of our employees' potential. We carried out a comprehensive training program in line with the company's strategic

objectives. This program has enabled to build or develop the skills of employees, enhance employment opportunities, and help with risk prevention. Investment in training was USD 996,016.74.

In 2020 we managed to develop our comprehensive training program, as detailed in the following tables, and

which suffered variation in the methodology given the situation; however, these important activities for the personnel were completed.



#### COMPREHENSIVE TRAINING PROGRAM (CTP)

	(GIP)	(STP)	(PCI)	(FTP)	(OEP)				
INDUCTION PROGRAM	Aimed at providing information or general guidance regarding the company and in the work area; for all incoming personnel, primarily focused on safety and occupational health issues (Supreme Decree 024-2016-EM and amendments, Supreme Decree 023-2017-EM).	STANDARD TRAINING PROGRAM	Aimed at reinforcing knowledge and raising awareness on issues related to IMS (Integrated Management System) (Supreme Decree 024-2016-EM and amendments, Supreme Decree 023-2017-EM).	IN-HOUSE TRAINING PROGRAM	Aimed at strengthening and/or developing employee's technical skills at his/her workstation, embodied in the PETS*, MSDS** and the area's goals	FUNCTIONAL TRAINING PROGRAM	Aimed at strengthening and updating technical and managerial skills, based on specific position and strategic goal requirements.	ONGOING EDUCATION PROGRAM	Aimed at specialization and professional development and talent retention

FOR PODEROSA'S EMPLOYEES, AND PERSONNEL FROM ASSOCIATED COMPANIES, CONTRACTORS AND SMALL-SCALE BUSINESSES

\*PETS: Written Safe Work Procedures \*\* MSDS: Material Safety Data Sheet

# 3

RESPONSIBLE  
MANAGEMENT



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### TRAINING HOURS PER JOB POSITION, GENDER, AND TYPE OF TRAINING

TYPE OF TRAINING	SEX	TOTAL TRAINING HOURS	N° OF PEOPLE	N° TRAINING HOURS PER PERSON
Functional training program	F	761	79	10
	M	5,245	241	22
In-house training program	F	2,225	1,258	2
	M	169,840	56,238	3
Standard training program	F	590	122	5
	M	19,190	13,277	1
Conferences and meetings program	F	30	91	0
	M	2,156	5,761	0
Ongoing training program	F	334	13	26
	M	661	26	25
General induction program	F	2,354	123	19
		50,524	2,764	18
<b>Total</b>	<b>F</b>	<b>6,294</b>	<b>1,686</b>	<b>61</b>
	<b>M</b>	<b>247,615</b>	<b>78,307</b>	<b>70</b>



### ONGOING AND FUNCTIONAL TRAINING PROGRAM L

TYPE OF TRAINING	LIFE	VIRTUAL	TOTAL
Diploma	12	63	75
Specialization	52	411	463
Refresher courses	428	5,550	5,978
University degree	169	0	169
Master's degree	333	12	345
<b>Total</b>	<b>994</b>	<b>6,036</b>	<b>7,030</b>

### NUMBER OF PERSON /HOURS PER WORK POST TYPE

POST TYPE	TOTAL HOURS
Employee	42,837
Officer	1,607
Workmen	207,802
Trainee	1,815
<b>Total</b>	<b>254,061</b>

### KNOWLEDGE TRANSFER TO CONTRACTORS

Several training courses were held to help staff employed by our contractors, as well as associated and small-scale companies regarding standards, procedures and issues of general interest pertaining to Supreme Decree DS 024-2016, published by the Ministry of Energy and Mines and its modification D.S. 023 – 2017 E.M. The results of these courses were the following.

### TRAINING FOR CONTRACTORS

TYPE OF COMPANY	TOTAL NUMBER OF TRAINING HOURS	PARTICIPANTS	TRAINING HOURS PER PERSON
Associated and micro businesses	26,601	134	199
Mining	169,266	3,363	51
Artisanal	28,239	117	241



# 3

RESPONSIBLE MANAGEMENT



## FOLLOW MY DEVELOPMENT CERTIFICATION PROGRAM

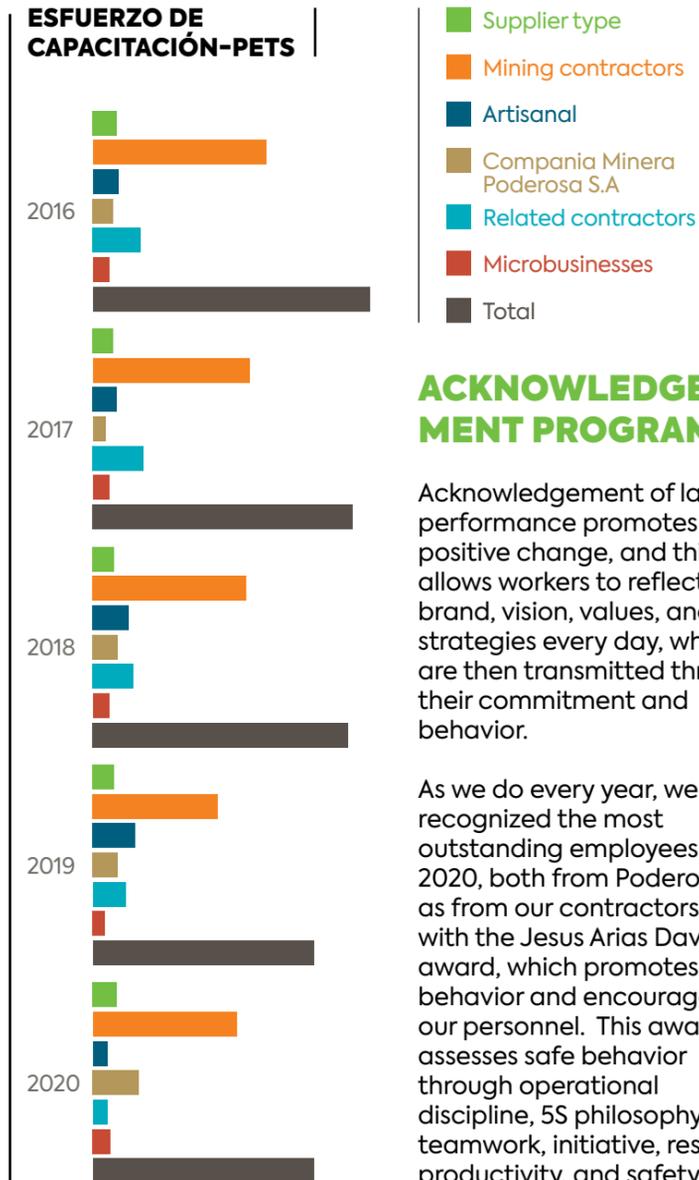
The “Follow my Development” program allows to educate adults and to help them acquire knowledge in an interactive manner. The program is basically focused on promoting safe working procedures and standards, it is characterized by measuring theoretical and practical knowledge through JClic program assessments and Planned Work Observations (OPT).

### PETS CERTIFICATION (SAFE WORK WRITTEN PROCEDURE)

SUPPLIER TYPE	2016	2017	2018	2019	2020
Compañía minera poderosa S.A.	1,743	1,176	827	723	4,058
Mining contractors	15,645	14,181	13,860	11,342	13,049
Related contractors conexas	4,298	4,613	3,762	3,115	1,378
Artisanal	2,184	2,042	3,228	3,769	712
Micro businesses	1,297	1,482	1,456	1,234	546
<b>Total</b>	<b>25,167</b>	<b>23,494</b>	<b>23,133</b>	<b>20,183</b>	<b>19,743</b>



## ESFUERZO DE CAPACITACIÓN-PETS



## ACKNOWLEDGEMENT PROGRAM

Acknowledgement of labor performance promotes positive change, and this allows workers to reflect our brand, vision, values, and strategies every day, which are then transmitted through their commitment and behavior.

As we do every year, we recognized the most outstanding employees in 2020, both from Poderosa as from our contractors, with the Jesus Arias Davila award, which promotes safe behavior and encourages our personnel. This award assesses safe behavior through operational discipline, 5S philosophy, teamwork, initiative, respect, productivity, and safety training.

As part of the celebrations for Miner’s Day, on December 5, 31 employees, 7 workers, and 10 employees of Poderosa, together with 16 contractor workers received this prize.

## CONTINUOUS IMPROVEMENT CIRCLES AND TEAMWORK

On October 2020, we took part in the 30° quality assurance meeting in Peru, organized by the Sociedad Nacional de Industrias (SIN), under the slogan “Success under uncertainty”. Three projects were submitted for logistic, environmental management and planning and engineering processes, which were recognized nationally as projects for management improvement. These projects were:

- Logistics Process: Improving fuel dispatch through automation.
- Environmental Management Process: Increase ultra-filtered water production by implementing an automated water recirculation system in the Santa María and Cedro ultra-filtering plants.
- Planning and Engineering Process: Mechanization of the Sami vein at Santa María Production Unit.

# 3

RESPONSIBLE  
MANAGEMENT



This recognition achieved by Poderosa strengthens our commitment to work towards continuous improvement and process innovation.

### INNOVATION AT PODEROSA

We held the 20th quality week named "Behind innovation, there are leaders; let's explore and exploit ideas". Where we received 294 ideas for 8 processes during the innovation road show. We also started the innovation process with the entry to the innovation hall, our personnel were able to perceive the sensations of what is coming

in Poderosa, and focused on the ideas that they then registered, as well as on the challenges proposed on each stand, hanging them in the tree of ideas in innovation.

### 5S

We quickly updated to the new reality with our 5S philosophy in all our administrative sites (Surco and Chorrillos) and in the operations sites (Marañon and Santa Maria Production Unit Production Units), this way, we managed to control the spread of covid-19 in our facilities.



5S is a Japanese philosophy, which stands for: sort, set in order, shine, sustain and self-discipline. These values go beyond the work environment and can be applied in everyday life.

The deployment of this methodology is carried out through planned activities that include training on the 5S philosophy through our virtual platform, workshops for employees and their families, support in its implementation to communities in our area of influence, distribution of printed material and institutional videos for the dissemination of this philosophy.

Encouraging the use of the 5S philosophy has stretched beyond our boundaries. This philosophy has reached our workers, contractors, family members and the mine's surrounding communities, it is particularly practiced in schools where our employees have led seminars and workshops to teach this method to schoolchildren through the new virtual reality now.

## WORKPLACE ENVIRONMENT

An optimal workplace environment has a positive impact in the employee's perception. Therefore, through the use of the results of the last organizational environment survey carried out, during 2020 we followed-up on the action plans aligned with our strategic objectives. The projects developed and described in this document aim at improving working conditions for all the members of Poderosa.

We must mention that in the first quarter of 2021, a new survey on workplace environment will be carried out.

DURING 2020 WE FOLLOWEDUP ON THE ACTION PLANS ALIGNED WITH OUR STRATEGIC OBJECTIVES.

### WORKPLACE ENVIRONMENT CYCLE



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RESPONSIBLE MANAGEMENT



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MM4

## LABOR RELATIONS

On September 29, 2004, the Sole Labor Union (SLU) was formed. Every year between January and August, the union negotiates its agenda to obtain benefits for the workers, such as salary increases, schooling bonuses, food subsidies, internship plans for the workers' children, etc.

**Human Rights:** We are a respectful employer, that does not discriminate based on gender, religion, race, sexual orientation, or HIV condition. In 2020 we have not received any complaint or claim for violating human rights, or discrimination.

### PERSONNEL THAT MAKE UP THE SOLE LABOR UNION (SLU)

Workers who are SLU members	237	77.96%
Workers who are non-SLU members	67	22.04%
Total workmen	304	42.76%
Total employees	407	57.24%
<b>TOTAL PODEROSA STAFF</b>	<b>711</b>	

\*No employees became members of the SLU

### Labor Conflicts:

During 2020 no strikes took place due to labor conflicts.

### ETHICS CHANNEL

We have different channels for our workers and business partners to report any complaints related to Human Rights, ethical behavior, or integrity of the organization.



Webiste: [www.bdolineaetica.com/poderosa](http://www.bdolineaetica.com/poderosa)  
Telephone: 0800-00626  
E-mail: [lineaetica@bdo.com.pe](mailto:lineaetica@bdo.com.pe)  
Personal appointments: Av. Antonio Miro Quesada N° 425 Piso 10, oficina 1005 Magdalena del Mar. Lima 17.

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

### WHY IS HEALTH AND SAFETY MANAGEMENT IMPORTANT?

For us, "Safety First" means prioritizing life over any other goal. The nature of the mining activities entails potential hazards that must be looked at adequately. Our workers perform complex and potentially risky tasks. If they don't follow strict controls and keep a high sense of responsibility. In this aspect, we are committed to protect the health, safety and wellbeing of our work team and the neighboring communities. These efforts are focused on developing a safety culture that allows empowering the work crews, to foster mutual help, to anticipate to accidents, to

assume responsibilities and to buy-in the security culture.

### HOW DO WE MANAGE THIS APPROACH?

The work teams, led by the senior and general management, under a future vision, assume the challenge to improve safety and health performance, and to make this safety performance sustainable. Therefore, an action plan has been prepared to include eight high impact actions: zero tolerance to substandard acts and conditions, non-permissive approach, 9 golden rules for life, review of the base IPERC, reinforcement of the right of the workers to say No to unsafe work, occupational health and security leadership committee retraining, accountability of contractors and restructuring of contract fines with mining and related companies. These actions allowed achieving compliance of safety policies, procedures,

regulations, and standards through process inspections under the operational discipline methodology. The management line is accountable for occupational safety and health performance, which in turn, is advised by the safety professionals through field follow-up and guaranteeing the correct application of labor risk prevention techniques such as ongoing IPERC, ATS and PETAR, as well as initiatives of behavioral change: STOP.

### HOW DO WE ASSESS IT?

We have an Occupational Health and Safety Management System that includes 20 elements, as detailed in the Annual Occupational Health and Safety Management Program. All the same, our integrated system is based on ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. Employees, in an environment of trust and openness, identify and report hazards in the acts/conditions form without any retaliation or sanctions; if a task or activity cannot be carried out safely, it is not performed. We respect the right to saying no to unsafe labor practices and the workers are protected from

# 3

RESPONSIBLE MANAGEMENT



possible retaliations through the practice of the code of ethics and conduct. The working place for more than 3,800 workers of Poderosa and contractors is under control. All the same, every area, including the contractor companies are subject to internal and external auditing processes, to verify they comply with the regulations of the Occupational Health and Safety Management System, which results have been used to align processes systematically and to include continuous improvement processes.

These implemented actions achieved good results, with no loss of human lives during 2020. We can highlight our achievement between July and December, with 2'783,602 hours/person with no disabling accidents, and zero accidents in the Marañon plant throughout

the year. However, 20 accidents happened, which represents a reduction of 55.6% in injuries compared to 2019. From these accidents, 95% were suffered by men and 5% by women; most injuries occurred in La Libertad (60%), followed by other regions (35%) and Lima (5%). During 2020, the three most frequent injuries from labor accidents were due to material handling, rock fall and hits/crashes during loading and unloading. The number of hours worked was 6'137,115 person / hours worked.

### OCCUPATIONAL HEALTH AND SAFETY TRAINING

In 2020, a total of 193,102 person-hours training were provided to our workers and contractors; all the same, from March to December, trainings on covid-19 surveillance and protocol

### REPORT BY TYPE OF ACCIDENT / NEAR MISSES -2020

<b>83%</b> Near misses: <b>374</b>	<b>12%</b> Accident with property damage: <b>54</b>	<b>3%</b> Minor accident: <b>12</b>	<b>2%</b> Disabling accident: <b>8</b>
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### ACCIDENT RATE (AR) 2019-2020



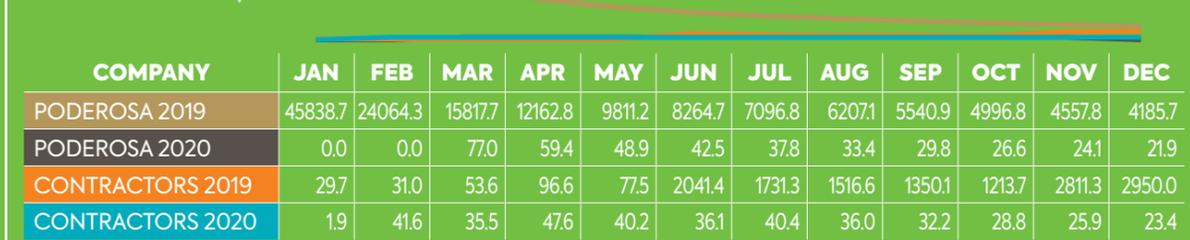
Note: Frequency index \* Severity index/1000

### FREQUENCY INDEX (FI) 2019-2020



Note: Number of disabling accidents \* 1 000 000 / N° person hours worked

### SEVERITY INDEX (SI) COMPARATIVE 2019-2020



Note: Number of days lost \* 1 000 000 / N° person hours worked

# 3

RESPONSIBLE MANAGEMENT



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compliance were carried out. From October to December a remote working plan was established to close the gaps of the safety audits and the sustainability of the prevention culture. This was done through a workshop carried out by DuPont consulting firm on investigation and analysis of incidents and counseling the sub committees; DnA and coaching DnA workshops, and a Risk Factor Covid Framework motivation workshop, to protect the physical and mental health of our workers, promoting safe working environments for all. Also, trainings were carried out on first aids, prevention of annual occupational illnesses and prevalent common diseases.

### AUDITS

From February 29 to March 6, DuPont carried out an Occupational Safety and Health System Audit, and from September 8 to 11, the migration audit from OHSAS 18001 to ISO 45001 version 2018 was carried out remotely, resulting in certification with zero non-conformities.

### OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

The committee, acting as the main authority regarding occupational health and security, approved the plans for covid-10 surveillance, prevention, and control at work, which was instrumental to fight against this disease. This bipartite

committee it is made up of 12 management and employee representatives, on an equal basis (50% are employee representatives and the remaining 50% represent the company). It meets monthly to discuss health and safety issues.

### EMERGENCY RESPONSE

We have a crisis committee and a central emergency committee to coordinate and attend to emergencies that may arise; the brigade members located in the mining unit are on alert for

any unforeseen event. The brigade members received feedback through virtual training sessions and drills; all the same, we have equipped emergency stations in Chagual, Vijus, Papagayo, Cedro y Santa María.

### OCCUPATIONAL HEALTH AND SAFETY TRAINING HOURS

TYPE OF TRAINING	TOTAL HOURS
Training	5,968
Environment	1,944
Labor risks prevention	241,605
Health	4,530
<b>Total</b>	<b>254,047</b>



## 3

RESPONSIBLE  
MANAGEMENT

GRI

403-1  
403-7**OCCUPATIONAL  
HEALTH  
MANAGEMENT****OCCUPATIONAL  
HYGIENE**

The health of our employees is one of our fundamental pillars. For this reason, we evaluate and monitor the risk factors in their workplaces, included in the comprehensive occupational hygiene program. In the context of the pandemic, the management, prevention, and containment of biological risk took on greater relevance, so improvements in process controls were developed and implemented. Another aspect to be noted is the standardization of the work uniforms for the mining contractors and related companies, which was based on monitoring illumination, reflective level and visibility, and which was carried out in a previous study both inside the mine and on the surface.

**OUR  
RESPONSE TO  
CORONAVIRUS  
SARS-COV-2  
(COVID-19)**

At the beginning of March, upon receiving information about the SARS-CoV2 pandemic and the declaration of a state of emergency, actions were taken to control the biological risk. Among them, we detected critical personnel entry, exit or meeting points and multidisciplinary teams were set up to implement protection barriers for the workers both inside and outside the unit. These activities were adequately structured and based on the covid-19 surveillance plan and protocols. These documents were updated according to the legal regulations in force and through continuous learning about the disease.

Training and awareness raising activities on covid-19, common diseases, occupational illnesses, and first aid, were carried out.

**Tests and surveillance**

One of the main challenges we faced was transporting staff from and to the mining unit. We carried out virus screening tests on the workers, both before they entered the premises as inside the unit, to ensure everyone's health and wellbeing. The serologic tests started mid-May followed by molecular tests, during June when the first cases were confirmed inside our facilities. During the last week of September, timely detection of the disease was reinforced through the application of antigen tests. We must mention that in parallel to the screening tests and control activities inside the mine, we established several controls such as the use of masks, constant hygiene, social distancing, and strict protocol compliance; all the same we reinforced the medical team to follow-up positive cases, who were isolated in special areas and received permanent health care.

This joint effort, supported by the area leaders, the people responsible for the

processes, the management, and the Board of Directors, resulted in a reduction of detected / confirmed cases in the mining unit and in the screening tests before entering the mining unit.

**Remote work and social distancing**

At the same time, with the implementation and compliance of the covid-19 surveillance, prevention and control plan, remote work was established and activated for the staff considered in the risk group due to age factors or staff that had one or more comorbidities.

Avoiding the overcrowding of personnel in enclosed spaces or spaces with limited capacity is one of the main controls to which special attention has been paid. Therefore, the annual occupational medical examinations (EMO) considered under the legal regulations in force, were not carried out.

In the canteens, individual transparent shields were placed on the tables to

reinforce physical distancing and prevent infection. Microbiologic analyses were made to drinking water, facilities, and live and inert surfaces; food handlers were tested for presence of bacteria, parasites, and fungi. Also, biologic agents were monitored in different working areas on the surface and inside the mine. Lead and arsenic dosing were also performed on refinery, metallurgical laboratory, and chemical laboratory workers. The oral rehydration program continued inside the mine, and we worked in coordination with the occupational hygiene area to identify health risk factors.

# 3

RESPONSIBLE  
MANAGEMENT



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## WORK-RELATED MEDICAL SURVEILLANCE

We continued to promote common and work-related disease prevention campaigns as established in the 2021 yearly program.

The incidence rate for common diseases was 32.65% (target ≤ 35%), greater than that recorded for 2019 (31.07%) as a result of the triage tests and sample taking for covid-19 diagnosis. Workplace absenteeism due to common illnesses was 9.60 medical leave days on average per month per one thousand workers

(target: ≤ 20 medical leave days per 1,000 workers), higher than the figure recorded for 2019 (6.66 days) because of medical leave for respiratory disease considered as suspicious case to prevent the spread of covid-19. Also, interventions on psychosocial risks were carried out in specialized mining contractors, together with vaccination campaigns against influenza, hepatitis A and B, tetanus, and typhoid.

We provided medical services in the surrounding communities both through out-patient and emergency care.



## SAFETY CULTURE REINFORCEMENT

To adapt to the new reality, biosafety protocols were developed, which led to the normal operation of the processes. These challenges were tackled with the best attitude by all supervisors and employees. This led to reinforcing the safety culture based on values, convictions, standards, and good prevention work practices.

## IPERC

Throughout the year, we have carried out field follow-up to supervisors in the different processes to ensure the correct application of the continuous IPERC methodology, a management tool that stands for Identification of Hazards, Risk Assessment and Control Measures. This preventive technique is carried out by all the workers before they start their activities. They inspect their working area to identify hazards in their surroundings.

Since the beginning of the pandemic, biosafety protocols were implemented, which guidelines are mandatory. Their violation is reported, and disciplinary measures are imposed according to the covid sanction matrix aligned with the nine golden rules for life and the internal work regulations.

1. Not wearing a mask or glasses or wearing them incorrectly
2. Failure to respect the physical distance of 1.5 m (4 ft)
3. Not washing hands when entering dining rooms (mainly) or other areas
4. Not wearing the bracelet provided by the medical center (used for monitoring readmissions)
5. Improper disposal of bio-contaminated waste
6. Talking or using cell phones inside the dining room
7. Lying in the sworn statement or failure to report covid-19 related symptoms
8. Failure to meet the covid-19 screening appointment (serological or molecular) to enter the mining unit
9. Failure to attend the covid-19 screening at the mining unit on the scheduled date (seven-day check-up or scheduled sweeps).
10. For suspected cases (positive contacts): failure to comply with the established isolation and leave the camps/hotels where the quarantine is being carried out
11. Leaving company premises without proper authorization
12. Disseminating information on positive cases
13. Having contact with personnel outside the company without authorization or without the corresponding protocol.



# 4

## SUPPLIER DEVELOPMENT



# 4

## SUPPLIER DEVELOPMENT

GRI

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### WHY IS THIS MANAGEMENT APPROACH IMPORTANT?

Due to the high demands of the international market, we focus on supplying quality goods and services, on time and at a competitive price. Therefore, we consider our suppliers as business partners, and we focus our attention on developing and evaluating them thoroughly.

### HOW DO WE MANAGE THIS APPROACH?

We encourage the optimization of our suppliers' quality standards as regards sustainability, quality, safety, and environment throughout the value chain as to minimize risks and develop long-term alliances. This is achieved through supplier standardization, evaluation, and revaluation.

In this regard, our commitment goes beyond an exchange relationship with our suppliers, this way, and by means of different initiatives, they can develop innovative products, to provide increasingly complex services, and to improve productivity, making them more competitive.

Our policies are duly defined, and we have procedures on good administrative and operational practices, both internal and external, that seek to maintain and strengthen our long-term commercial relationship, in an integral and loyal manner with our identified strategic partners.

### PROCUREMENT OF GOODS AND SERVICES

The logistics department is responsible for supplying goods and services to ensure our production and administrative processes are performed in a timely and efficient manner. Our supply chain considers several processes to help guarantee the supply of these goods and services.

The process starts with an internal request order according to the annual investment and costs plan. The Board, managers, superintendents, and department heads, approve these orders.

There are some frequent consumption products are referred to as "automatic replenishment" and include

materials such as liquid and gaseous fuels, chemical products and reagents, grinding media, lubricants and oils, explosives and accessories, timber, among others. Many of these products are hazardous, therefore, their procurement is complicated due to legal standards and regulations. Likewise, transportation, storage and handling of these products is very risky because their physical and chemical properties can have adverse effects on people's health as well as on the company's facilities, processes, and the environment. Therefore, these products are extremely critical to the mining operation.

Timely procurement is guaranteed by a logistics planning process, and by a team of buyers and warehouse keepers who carry out domestic purchases and imports. We also have a transit area or in-transit warehouse where materials

and equipment are received and dispatched to our mining units, and which are delivered in Chorrillos (Lima) and in Trujillo. The transportation process is carried out by well-known outsourced companies that cover the route Lima-Trujillo-mine.

At the mines, we have two central warehouses, together with storage units, gas stations, timber storage facilities, ammunitions, and heavy and bulky materials depots.

### OUR SUPPLIERS

In 2020 we had 694 suppliers (excluding contractors), among domestic and foreign, duly evaluated and selected. They supplied us with goods and services in compliance with the quality standards of our operations, management, and investment projects development. In addition, we have signed 15 supply contracts after establishing partnerships with strategic

suppliers and 8 contracts for transportation services, technical support for service inspection and complementary logistics operations.

Local suppliers are individuals or legal entities established and located both in the district of Patatz and in other districts of La Libertad region where we run our operations. The company maintains contractual relations with these goods and services providers. The provision includes supplies per type of material turnover, in other words, supplies that are automatically replaced, charged directly, and for projects; in addition, there are fixed assets and equipment which are purchased according to the annual investment plan.



# 4

## SUPPLIER DEVELOPMENT

GRI

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### ORIGIN OF THE SUPPLIERS FOREIGN - DOMESTIC



#### Foreign

- China
- EE. UU.
- England
- South Africa
- Chile
- Brasil
- Germany
- Spain
- Canada
- Australia
- Mexico
- Uruguay
- Argentina
- New Zeland
- Italy
- Turkey
- Portugal

#### Domestic

- Lima
- Trujillo
- Pacasmayo
- Chimbote

# 694

suppliers in 2020  
(without include contractors),  
among domestic and  
foreign, duly evaluated  
and selected.



### TOTAL GOODS AND SERVICES

	GOODS	%	SERVICES	%	CONTRACTORS	%	TOTAL	%
Regional (La Libertad)	10,050,701	27%	4,845,893	47%	16,124,309	49%	31,020,903	38%
Other regions	25,069,677	67%	5,525,367	53%	16,852,760	51%	47,447,805	59%
imports	2,124,201	6%	0	0%	0	0%	2,124,201	3%
<b>Total</b>	<b>37,244,579</b>	<b>100%</b>	<b>10,371,260</b>	<b>100%</b>	<b>32,977,070</b>	<b>100%</b>	<b>80,592,909</b>	<b>100%</b>

### QUALITY OF SUPPLIERS AND SERVICES IN GOOD PRACTICES

#### HOW DO WE ASSESS THIS APPROACH?

We believe in assessing and reassessing our suppliers under a risk-based management approach, considering commercial risk, corporate social responsibility, experience accreditation, financial risk,

and management systems criteria. We use the Kraljic Matrix management tool to select critical and non-critical suppliers, to establish a supplier assessment process based on product severity levels and not necessarily related to purchase volumes.

In addition, the contract management area uses a tool that can objectively reassess the organizational results of the contractors which are at the core of the business (mining and related

contractors). This tool is called Nine Box Performance Evaluation, which has enabled us to segment three performance groups and to learn about the monthly productivity and safety performance, mainly.

## 1er

GROUP- ELITE CONTRACTORS

We have noted that these contractors show strong safety performance and effective program compliance, all the same they show strong labor and financial compliance

## 2do

GROUP - PROMISING CONTRACTORS

This group's results vary substantially. These contractors are in the process of standardizing results to become high achievers

## 3er

LOW PERFORMING CONTRACTORS

This group has constantly shown a poor performance pattern and so, we need to pay special attention to it

# 4

SUPPLIER DEVELOPMENT



102-9



## ACCIDENT RATE ALONG CRITICAL ROUTE

The logistics process comprises transportation of materials and equipment from the supplier's plants or warehouses abroad to Lima, Trujillo and Pacasmayo.

Hazardous materials, such as liquid and gaseous fuels, lubricants, explosives, sodium cyanide, chemical products, among others, are included in the list of goods transported. Maritime or air freight agents transport imported goods, while domestic transportation is done from the coast through a long route that crosses the harsh geography and climate of the northern mountains, up to our two mining units. Safety and control standards have been set in place to guarantee an adequate transportation service.

The accident rate in 2020 along the critical route was zero.

## SUPPLY CHAIN

- 1 | SUPPLIERS
- 2 | TRANSIT WAREHOUSE
- 3 | LAND TRANSPORTATION
- 4 | SUPPLY WAREHOUSE (MINE)
- 5 | EXPLORATION
- 6 | MINING
- 7 | PROCESSING
- 8 | FINAL PRODUCT WAREHOUSE
- 9 | CARGO AGENT WAREHOUSE
- 10 | AIR TRANSPORTATION
- 11 | CLIENTS





5

SOCIAL  
DEVELOPMENT  
OUR COMMITMENT WITH  
NEIGHBORING COMMUNITIES



# 5

SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES



103-1  
103-2

## COMMUNITY RELATIONS

### WHY IS OUR COMMITMENT WITH NEIGHBORING COMMUNITIES IMPORTANT?

Our commitment is to promote sustainable development in the areas of influence in the Pataz district. Through a multistakeholder approach, we prioritize work in collaboration with the local governments, and the communities to promote sustainable development.

It is important to promote proactive relationships with the communities to understand what their interests and concerns are, building their capacity and fostering community empowerment so that they can steer their own development.

In this sense, we promote adequate relations to prevent social conflicts that could affect our operations. We therefore support community and environmental Project management that contribute to the sustainable development of the area of influence. We want our presence to be a positive

factor for the communities. Our good neighbor policy is expressed through the level of honest and transparent involvement to achieve a shared vision between our company and the community, as well as promoting horizontal communication.

### HOW DO WE MANAGE THIS APPROACH?

It is a shared interinstitutional effort between the following three actors:

#### THE GOVERNMENT

through the local government which assumes its authority role, promoting and executing social development activities (improvement of health clinics, infrastructure, roads, schools), providing adequate regulations and compliance to carry out mining activities, environmental care, etc.

#### PODEROSA

Contributes to local, regional, and national development through investments and job generation, improving social and productive infrastructure

and bringing foreign currency to our country.

#### THE COMMUNITY OR SOCIAL ENVIRONMENT

This includes every social, cultural, and political movement, as well as the environment. In this sense, the coexistence rules established as a policy within our community relations plan will allow us, as a company, to improve our relations with the populations in our intervention area, with respect and assuming joint commitments and promoting mutual understanding; these rules take into consideration the social differences of every community.



## INDICATORS

# 166

PEOPLE TRAINED IN WATER AND SANITATION

# 189

PEOPLE TRAINED IN ORGANIZATION OF COMMUNITY OF CODECOS

# 89%

OF IMPLEMENTATION OF THE PLANS DEVELOPMENTAL COMMUNAL

# PEN 150,000

DELIVERED TO 3 WINNING PROJECTS OF THE PROJECT COMPETITION



# 13,236

INHABITANTS HAVE DRINKING WATER OF QUALITY THANKS TO 19 SAP WITH SYSTEM OF CHLORINATION

# 5

SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES



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We prioritize the following in our social intervention in the communities:

- **Contribution to sustainable development**, through the prioritization of health, nutrition, education, and economic development as our social responsibility intervention principles.
- **We promote community empowerment**, through the CODECOS and JASS, which community strategic plans prioritize their needs and projects selected within the established

participatory district budget. With adequate implementation, these plans will promote better life quality for the population.

- **Partnership and joint responsibility**, through the combination of contributions and efforts between organizations and existing institutions, both at community and district level together with those outside the area but that also share joint responsibility, to maximize the established benefits.

## DIRECT AND INDIRECT AREA OF INFLUENCE

The area of influence comprises the territory that, as a result of the construction, operation, and closure of our projects, is subject to some sort of impact, whether positive or negative, where mitigation or compensation measures need to be implemented.

By promoting responsible and sustainable mining, the priority is to encourage positive attitudes to generate sustainable changes in the direct area of influence and which result in improvements in health, nutrition, and education through a multistakeholder approach (community, local government and

### AREA OF INFLUENCE

N°	PRODUCTIO UNIT / PROJECT	REGION	PROVINCE	DISTRICT	VILLAGE	COMMUNITY
1	Marañon Production Unit	La Libertad	Pataz	Pataz	Vijus/Barrio Chino	
2	Santa Maria Production Unit	La Libertad	Pataz	Pataz	Pataz, campamento, Pueblo Nuevo, Zarumilla, Socorro	
3	Palca Production Unit	La Libertad	Pías	Pías	Alacoto, Pamparacra, Pías	Pías Farming Community
4	Palca Production Unit	La Libertad	Pataz	Pataz	Suyubamba, Antapita	Andres Razuri de Suyubamba Farming Community
5	Montañitas Exploration Project	La Libertad	Pataz	Tayabamba	Tayabamba	La Victoria Farming Community
6	Montañitas Exploration Project	La Libertad	Pataz	Huaylillas	Huaylillas	Estrella de Oro Farming Community
7	Montañitas Exploration Project	La Libertad	Pataz	Ongón	Utcubamba	
8	Las Defensas Exploration Project	La Libertad	Pataz	Pataz	Chuquitambo, Nimpana, Shicún	Sol Naciente Farming Community
9	Nina Urq Exploration Project	La Libertad	Pataz	Pataz	Alisos	
10	Batolito Pataz Exploration Project	La Libertad	Pataz	Pataz	Pataz	
11	Santa Filomena Exploration Project	La Libertad	Pataz	Pataz	Vijus	
12	Ariabamba Survey	La Libertad	Pías	Pías	Pías/Melomea	Pías Farming Community

# 5

SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES



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Poderosa). In this regard, we promote local leader capacity building, governance, and empowerment. Other priorities are aimed at minimizing negative impacts on water, air, dust emission, and mitigation of damages to property resulting from our operations, among others.

The Direct Area of Influence (DAI) is defined according to the location of each project. Our different components such as the beneficiation plants, tailing ponds, dumpsters, roads, camps, etc., have different types of impacts and different scopes.

Los lineamientos de iPoderosa’s priority intervention guidelines include promoting sustainable development, within the framework of the sustainable development goals, prioritizing end of poverty, health, quality education, community empowerment, clean water, and sanitation. In 2007 Poderosa implemented the Pataz District Sustainable Human Development Program, to promote social and economic development, governance, environmental protection, and institutional alliances, which components

are assumed by our strategic partner: Asociacion Pataz. The sustainable program has two components: community and local management, and communal water management and sanitation.

## COMMUNITY AND LOCAL MANAGEMENT

### WHY IS COMMUNITY AND LOCAL MANAGEMENT IMPORTANT?

The main purpose of this approach is to strengthen the management capacities of local authorities and leaders, thereby increasing and improving their participation in their own sustainable development, reducing the possibility of social conflicts with our communities, and improving the integration of the community, the company, and the local government.

### HOW IS THIS APPROACH MANAGED?

This component is based on the effort and shared responsibility between the private companies, the local government, and the Government

institutions, as well as the organized population. CODECOS represents a local management and governance model. Through capacity building, we promote community empowering so that they can participate in their own development, as stated in our management policy “acknowledge our stakeholders, their needs and requirements, seeking their satisfaction and supporting

them so they can manage their own development”. The Community Development Committee (CODECO) is an association made up by individuals and legal entities that represent the dwellers of a village, community, population, or neighborhood; its purpose is to supervise and control public expenditure execution in their jurisdiction, and to design and manage their community development plan.

An empowered community is a community in which individuals and organizations combine their capacities, skills, and resources, in a joint effort, to meet their needs. For us, empowering communities has become an important and comprehensive part for development; to achieve this, strategies have been designed to try to reduce poverty.



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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES



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## HOW DO WE ASSESS COMMUNITY AND LOCAL MANAGEMENT?

In 2020, organizational strengthening was our priority. Despite the health emergency called by the Government, capacity building addressed to the CODECOS has enabled 90 directors, 38 authorities, and 61 dwellers, to regularly participate in trainings, and to receive advice on community organization, planning, project design and management.

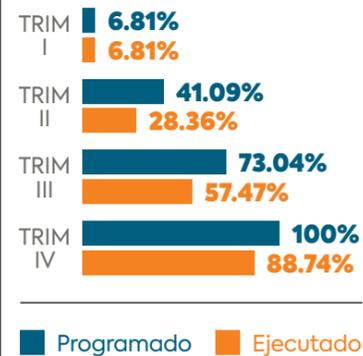
We continued to provide advice to the CODECOS, 13 of which are still active and have managed to achieve their legal formalization through their registration before the National Public Registry Superintendence (SUNARP), and 5 of them have already obtained their Tax Registry Number.

On the other hand, the CODECOS have started to evolve, regarding their legal establishment. They have evolved from a committee to an association. Three CODECOS are registered before SUNARP as associations: Socorro, Chuquitambo, and Vista Florida, and the Pueblo Nuevo and Vijus CODECOS

have modified their by-laws with the same end. The purpose of this change is to become donation receptor (a procedure before SUNAT). This will facilitate procedures to raise funds to be invested in their community development projects, according to their community development plans.

Regarding the community development plans, the following graph shows that the CODECOS, have managed to complete 89% of their plans, in average. There was a delay in the second quarter, when many activities were stopped because

### TOTAL PERCENTAGE OF COMMUNITY DEVELOPMENT PLAN IMPLEMENTATION IN 2020 BY THE CODECOS



of the health emergency and lockdown ordered by the Government. Some of these activities could not be implemented.

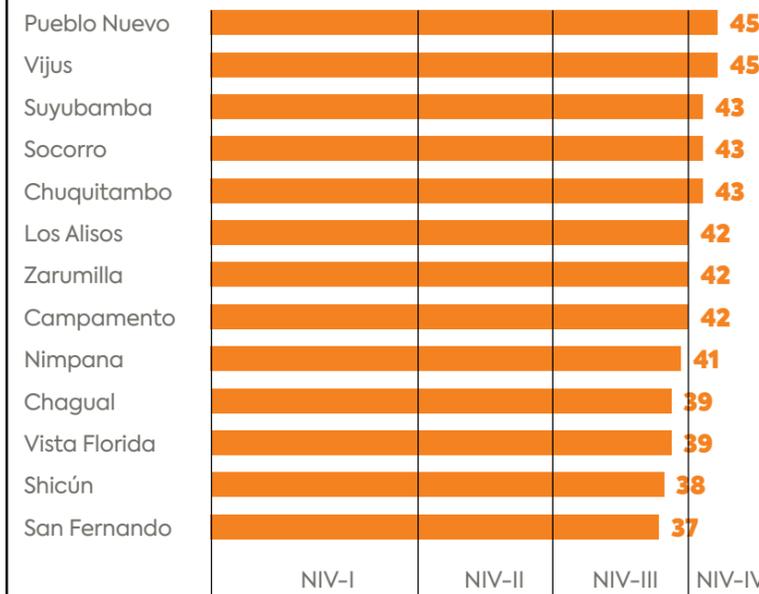
All the same, CODECOS capacity building and the advice they have received are helping to increase their empowerment, as we can see in the following graph. There we can see that five CODECOS: (Pueblo Nuevo, Vijus, Suyubamba, Socorro and Chuquitambo) have

reached level IV, while the remaining eight have reached level III. This empowerment is reflected in the degree of organization, formalization, planning, as well as in the management capacity and autonomy in plan and project execution to develop their community.

This empowerment level has allowed the CODECOS to execute agreements with us as well as with other institutions such

as the municipality and Asociacion Pataz. By the end of 2020, 13 CODECOS had executed agreements with the municipality, and Pueblo Nuevo, Zarumilla, Campamento, Chagual, Vijus, Socorro and Chuquitambo have signed agreements with us and with Asociacion Pataz. The latter two have signed a specific cooperation agreement with our company.

### EMPOWERMENT LEVEL OF THE PATAZ DISTRICT CODECOS IN THE IV QUARTER OF 2020



5 CODECOS in level IV

8 CODECOS in level III

0 CODECOS in level I

13 CODECOS in total



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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES

### PROJECT COMPETITION

Funding competitions are fund allocation mechanisms, which give the citizens the responsibility to define and implement what they deem necessary to improve their life quality. For social organizations, access to funding is an important tool for it involves them in

the country's development processes. Although the health emergency stopped some activities in the CODECOS development plans, this did not prevent them from managing their projects. Thus, they participated in the XX CODECOS meeting, in which the IX Project Competition was held,

sponsored by Asociacion Pataz, which fund we finance. This event has also served to prove that the CODECOS can connect online, overcoming some technological barriers. This event was held on December 3 and 4 with the participation of 59 CODECOS representatives and 30 participants from

different institutions of the Pataz district.

In this competition, 12 project profiles were assessed, out of which, the best three were selected, these correspond to the Chagual, Vijus and Pueblo Nuevo CODECOS, as shown in the following table:

### CODECOS WINNERS OF THE FUNDING COMPETITION 2020

N°	CODECO	PROJECT NAME	BENEFICIARY COMMUNITY	PROJECT OBJECTIVES	AP FUNDING COMPETITION	CO FINANCING			TOTAL
						MUNICIPALITY	ENTREPRENEURS	COMMUNITY CONTRIBUTION	
1	CHAGUAL	Improvement of Education Services at School I.E 80746, Warehouse -Kitchen - School Canteen with 5S approach - Chagual Community, Pataz	101 students	Provide food security to the students at School 80746 of this community	50,000	48,307.89	5,000	12,597.09	115,904.98
2	VIJUS	Drinking water supply system to the Vijus population through the installation of residential water meters in Vijus, Pataz districts	3600 inhabitants, 400 JASS users	Adequate drinking water service in Vijus community	50,000	65,408.10		22,192.72	137,600.82
3	PUEBLO NUEVO	Expansion and improvement of the sewerage and residual water systems in Pueblo Nuevo, Pataz district	1200 inhabitants	Sustained Access to quality sanitation services for the dwellers of Pueblo Nuevo	50,000	205,294.01	59,436.19	27,802.07	342,532.27
<b>TOTAL</b>					<b>150,000</b>	<b>319,010.00</b>	<b>64,436.19</b>	<b>62,591.88</b>	<b>596,038.07</b>

### ASOCIACION PATAZ / PODEROSA FUNDING COMPETITION

- 1 Call for applications and promotion of the funding competition 
- 2 Design and presentation of project ideas 
- 3 Follow-up to design project profiles 
- 4 Profile presentation in project road shows 
- 5 Agreement execution with the winner CODECOS

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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES



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The funding competitions sponsored by Asociacion Pataz finances three PEN 50,000 projects, each, with a total funding allocation of PEN 150,000. However, these three projects represent a total investment of PEN 596,038.07. The balance (PEN 446,038.17) is a matching fund managed by each CODECO, and distributed as follows: PEN 319,010, matching fund from Pataz District Municipality; PEN 64,436.19, matching fund from local entrepreneurs; and PEN 62,591.88 correspond to matching funds from CODECOS. These projects will be started in March 2021.

## WATER AND SANITATION COMMUNITY MANAGEMENT

### WHY DO WE CONSIDER THIS MANAGEMENT APPROACH IMPORTANT?

One of our main areas of intervention is water and sanitation management. In the Pataz district, water and sanitation management is a concern because the resource is scarce generating conflicts between the different villages which can hinder the normal development of our operations. Therefore, we are working together with the Sanitation Services Management Boards (JASS) to build their organizational and management skills to run these institutions. This capacity building will provide efficient and well managed quality water

services for human consumption to the population, through the formalization of this service. This will bring about a change in the water usage and payment, that will allow the sustainability of the service provided by the JASS.

WE ARE WORKING TOGETHER WITH THE SANITATION SERVICES MANAGEMENT BOARDS (JASS) TO BUILD THEIR ORGANIZATIONAL AND MANAGEMENT SKILLS TO RUN THESE INSTITUTIONS.

### HOW DO WE MANAGE THIS APPROACH?

In 2020, we promoted capacity building: 74 directors, 4 leaders/authorities and 88 dwellers, that is, 166 participants from 19 JASS of the Pataz district were trained in management, operation, and maintenance, specifically in cleaning and



disinfection of the water system, update of by-laws and regulations, among other topics (record keeping and cash management, family quota, chlorination, and micro measurement). This has helped to improve the condition of the drinking water systems and the control of water use through micro metering and promotion of payment, which allow the JASS to run and maintain their water systems to provide adequate services to the population.

### HOW DO WE ASSESS THIS APPROACH?

Monitoring of the drinking water system in Pataz is carried out monthly, through participatory community monitoring, involving the JASS members, local authorities, and representatives from the district municipality, health clinic and Poderosa.

In 2020 an indicator matrix was implemented to measure JASS management. This matrix assesses 12 indicators,

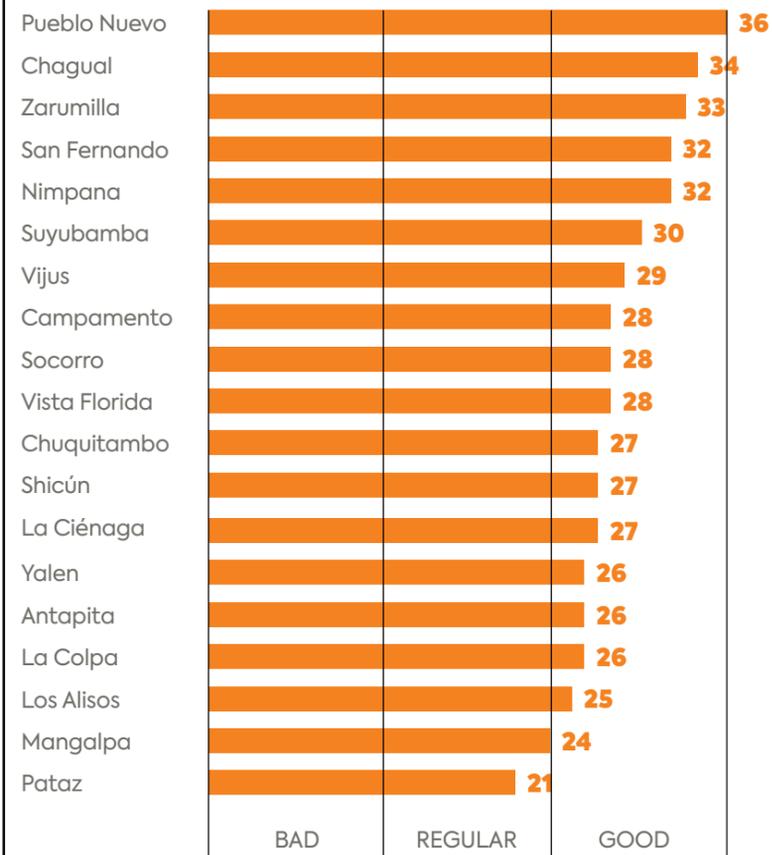


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grouped under four variables: organization, administration, quality, and sustainability. As a result of this management assessment, it was found out that 17 JASS are carrying out good management practices, and 2 are still underperforming (Mangalpa and Pataz capital), as we can see in the following graph:

**JASS MANAGEMENT LEVEL AS OF THE IV QUARTER OF 2020**





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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES

## FLOW EVALUATION

As regards flow evaluation, the following chart shows that Campamento village has water supply problems, for in November it reported water flow of 2.93 l/s, below the current demand which is 4.06 l/s to meet the population's consumption. When the December monitoring was carried out, this flow fell to 2.55 l/s, despite the rainfall, which failed to increase the level at the water intakes.

All the same, the drinking water systems at La Colpa and San Fernando have suffered flow reduction. Flow reports were 0.039 l/s and 0.35 l/s, correspondingly, while the current demand is 0.13 l/s and 0.33 l/s. Flow at La Colpa is slowly recovering with the beginning of the rainy season, from 0.039 to 0.043 l/s; also, in San Fernando, the rainfall has increased water flow from 0.35 to 0.68 l/s, representing a 94.29% flow increase in December.



## EVALUATION OF THE DRINKING WATER SYSTEM FLOW IN THE PATAZ DISTRICT COMMUNITIES

N°	DRINKING WATER SYSTEM/ COMMUNITY	FAMI-LIES	DRINKING WATER SYSTEM USERS	CURRENT DEMAND (L/S)	FLOW (L/S) OCT - 2020	FLOW (L/S) DEC - 2020	FLOW (L/S) OCT - NOV 2019	FLOW (L/S) DEC - 2019
1	Chuquitambo	60	60	0.49	0.70		1.06	1.06
2	Nimpana	122	118	1.10	5.05		5.30	5.30
3	Shicún	64	60	0.69	1.06		1.28	1.28
4	Vijus	600	480	5.42	13.33		14.25	14.25
5	Chagual	99	110	0.89	4.15		5.05	5.05
6	Suyubamba	118	118	0.96	2.58		2.77	2.77
7	Vista Florida	185	165	1.25	3.15		2.22	2.22
8	San Fernando	60	58	0.33	0.35	0.68	0.62	0.62
9	Campamento	250	250	4.06	2.93	2.55	2.08	3.50
10	Pataz	470	470	7.64	7.04		6.85	6.85
11	Pueblo Nuevo	200	200	2.17	7.52		8.95	8.95
12	Los Alisos	24	20	0.16	1.07		1.86	1.86
13	Zarumilla	160	145	2.02	4.12		5.52	5.52
14	Socorro	152	142	2.20	3.07		1.44	1.44
15	Mangalpa	17	14	0.16	0.47		0.54	0.54
16	Yalen	28	24	0.30	3.64		5.73	5.73
17	La Ciénega	30	28	0.20	2.21		1.62	1.62
18	La Colpa	14	14	0.13	0.039	0.043	0.11	0.11
19	Antapita	39	39	0.26	0.87		1.09	1.09
<b>Total</b>		<b>2,692</b>	<b>2515</b>	<b>30.43</b>	<b>63.35</b>		<b>68.33</b>	<b>69.75</b>

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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES

## WATER QUALITY EVALUATION

As a result of the health emergency, we were only able to perform water quality monitoring during the dry season in October and November. The table shows the results of the water quality monitoring for 2020. In this table we can see that 12 drinking water systems were rated as good quality and 7, bad quality. Six of these bad quality systems (Vista Florida, San Fernando, Campamento, Pataz, La Cienaga and Antapita) show evidence of metal presence, such as arsenic and iron. These systems are in the Pataz Batholith, which is a mineralized zone, therefore these minerals occur in natural conditions.

Another of bad water quality condition for human consumption is the presence of bacteriologic organisms in the Socorro, Pataz and Vista Florid systems. In the case of the first one, the

municipality has executed drinking water improvement works, therefore water chlorination was temporarily suspended until the works are completed. The Vista Florida chlorination system was recently installed in December, after having carried out the water quality monitoring. Therefore, poor water quality results have been recorded. In the Pataz water system, the municipality is preparing a project for the integral improvement of the drinking water system, which will be included in its investment plan for 2021.

## INTEGRAL EVALUATION

When consolidating the integral evaluation of the Pataz drinking water systems (infrastructure, flow, and water quality) according to the 2020 monitoring report, we observe that 16 water systems are in good conditions and three of them in regular conditions.

## INTEGRAL EVALUATION OF THE DRINKING WATER SYSTEM IN THE COMMUNITIES OF THE PATAZ DISTRICT AS OF DECEMBER 2020

Nº	COMMUNITY/ WATER SYSTEM	BACTERIOLOGIC ANALYSIS RESULT AT HOUSE CONNECTION	PHYSICAL ANALYSIS RESULT	CHEMICAL ANALYSIS RESULT	BACTERIOLOGIC AND PHYSICAL AND CHEMICAL QUALITY CLASSIFICATION OF THE DRINKING WATER SYSTEMS CONDITION
		CONDITION	CONDITION	CONDITION	CONDITION
1	ChuquitaBGo	G	G	G	G
2	NiBpana	G	G	G	G
3	Shicún	G	G	G	G
4	Vijus	G	G	G	G
5	Chagual	G	G	G	G
6	SuyuGaBGa Locro Falso	G	G	G	G
7	Vista Florida	B	G	B	B
8	San Fernando	G	G	B	B
9	CaBpaBento	G	G	B	B
10	Pataz	B	G	B	B
11	PueGlo Nuevo	G	G	G	G
12	Los Alisos	G	G	G	G
13	ZaruBilla	G	G	G	G
14	Socorro	B	G	G	B
15	Bangalpa	G	G	G	G
16	Yalen	G	G	G	G
17	La Ciénega	G	G	B	B
18	La Colpa-San Fernando	G	G	G	G
19	Antapita	G	G	B	B
<b>GOOD</b>		16	19	13	12
<b>REGULAR</b>		0	0	0	0
<b>BAD</b>		3	0	6	7
<b>TOTAL</b>		<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>

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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES

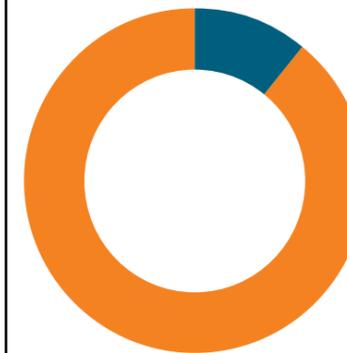
## EVALUACIÓN INTEGRAL DE LOS SISTEMAS DE AGUA POTABLE EN LOS ANEXOS DEL DISTRITO DE PATAZ- A DICIEMBRE - 2020

N°	WATER SYSTEM	INFRASTRUCTURE	FLOW	QUALITY	CONDITION
1	ChuquitaBGo	G	G	G	G
2	NiBpana	G	G	G	G
3	Shicún	G	G	G	G
4	Vijus	G	G	G	G
5	Chagual	G	G	G	G
6	SuyuGaBGa	G	G	G	G
7	Vista Florida	G	G	B	G
8	San Fernando	G	R	B	R
9	CaBpaBento	G	R	B	R
10	Pataz	G	R	B	R
11	PueGlo Nuevo	G	G	G	G
12	Los Alisos	G	G	G	G
13	ZaruBilla	G	G	G	G
14	Socorro	G	G	B	G
15	Bangalpa	G	G	G	G
16	Yalen	G	G	G	G
17	La Ciénega	G	G	B	G
18	La Colpa	G	B	G	G
19	Antapita	G	G	B	B
	<b>GOOD</b>	19	15	12	15
	<b>REGULAR</b>	0	3	0	3
	<b>BAD</b>	0	1	7	1
	<b>TOTAL</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>

## DRINKING WATER SYSTEMS WITH CHLORINATION

By the end of 2020, from the 19 drinking water systems, 17 had chlorination systems, which represents 89%. This means that approximately 13,236 dwellers have access to quality water. The implementation of chlorination systems in the two pending communities is being scheduled for 2021, with which 100% of the drinking water systems will have chlorination systems in place.

### DRINKING WATER SYSTEMS WITH CHLORINATION



89%. 17 systems implemented with chlorination

11%. 2 water systems without chlorination

## DRINKING WATER SYSTEMS WITH CHLORINATION IN PATAZ DISTRICT COMMUNITIES AS OF DECEMBER 2020

N°	COMMUNITY / SECTOR	CURRENT SITUATION
1	Chuquitambo	Implemented
2	Nimpana	Implemented
3	Shicún	Implemented
4	Vijus	Implemented
5	Chagual	Implemented
6	Suyubamba	Implemented
7	San Fernando	Implemented
8	Campamento	Implemented
9	Pueblo Nuevo - Sector Pueblo Nuevo	Implemented
	Pueblo Nuevo - Sector Caruabamba	Implemented
	Pueblo Nuevo - Sector Santa María	Implemented
10	Los Alisos	Implemented
11	Zarumilla	Implemented
12	Socorro	Implemented
13	Yalen	Implemented
14	La Colpa	Implemented
15	Antapita	Implemented
16	Mangalpa	Implemented
17	Vista Florida	Implemented
18	La Ciénega	In process
20	Pataz	It is considered in the Pataz drinking water system project, with micro metering and chlorination

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### DRINKING WATER SYSTEMS IMPLEMENTED WITH MICRO METERING IN PATAZ DISTRICT AS OF DECEMBER 2020

N°	COMMUNITY / SECTOR	DRINKING WATER SYSTEMS WITH MICRO METERING	N° USUARIOS JASS	N° MEDIDORES ADQUIRIDOS		TOTAL DE MEDIDORES	N° MEDIDORES POR GESTIONAR	OBSERVATIONS
				PROYECTO	JASS			
1	Chuquitambo	Implemented	60	54	0	54	6	JASS will expand the installation of 06 meters to new users
2	Shicún	Implemented	64	45	0	45	19	JASS will expand the installation of 19 meters to new users
3	Chagual	Implemented	110	80	0	80	30	JASS will expand the installation of 30 meters to new users
4	Suyubamba	Implemented	113	105	0	105	8	JASS will expand the installation of 08 meters to new users
5	San Fernando	Implemented	58	51	0	51	7	JASS will expand the installation of 07 meters to new users
6	Campamento	Implemented	230	205	14	219	11	JASS will expand the installation of 11 meters to new users
7	Pueblo Nuevo	Implemented	200	140	40	180	20	JASS will expand the installation of 20 meters to new users
8	Zarumilla	Implemented	150	130	30	160	-10	JASS has 10 meters in stock for future new users
9	Socorro	Implemented	110	110	15	125	-15	JASS has 15 meters in stock for future new users
10	Antapita	Implemented	39	42	0	42	-3	JASS has 3 meters in stock for future new users
11	Los Alisos	Implemented	25	25	0	25	0	
12	Yalen	Implemented	24	24	0	24	0	
13	La Ciénega	Implemented	30	25	0	25	5	JASS will expand the installation of 20 meters to new users
14	La Colpa	Implemented	14	14	0	14	0	
15	Nimpana	Implemented	122	80	50	130	-8	13 meters in stock for future new users
16	Mangalpa	Implementation process	18	18	0	18	0	Purchase of meters for immediate installation
17	Vijus	Seeking funding	450	0	0	0	0	CODECO obtained financing for S/. 137,600.89, by winning the Asociacion Pataz 2020 funding competition, with matching funds from Pataz Municipality and Local entrepreneurs, for the installation of 450 micrometers in the Vijus drinking water system.
18	Vista Florida	Not implemented	165	0	0	0	0	JASS will receive support to manage the project to implement house water meters, an activity included in GxP 2020.
19	Pataz	Municipal scheduling and management	470	0	0	0	0	The Pataz district municipality, will prepare a technical file to install and implement micro metering in the district.

### DRINKING WATER SYSTEM WITH MICRO METERING

Regarding micro-metering, water meters have been installed in 15 drinking water systems; likewise, the Mangalpa water system is being improved and the installation of meters will be completed; likewise, meters will be installed in Vijus thanks to the fact that its CODECO has won a funding competition. In



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SOCIAL DEVELOPMENT: OUR COMMITMENT WITH NEIGHBORING COMMUNITIES

this sense, efforts continue to be made to provide home meters to all the water systems in the annexes of the Pataz district, a mechanism that has become a fundamental tool to control the rational use of water for human consumption.

Progress in JASS capacity building for the management, administration, operation, and maintenance of their drinking water systems, have contributed to solving water supply problems which their communities experienced in the past and which caused conflicts with our company. All the same, this capacity building plan has made Pueblo Nuevo JASS be considered in 2020 as a model JASS in La Libertad region by SUNASS.

### HEALTHY HOUSES

In 2020, a pilot for healthy houses was set up in Chuquitambo community as part of the water and sanitation sanitary education strategy. The purpose of this pilot is to help improve the health and life quality of the population with active participation of the families to achieve healthy habits and

lifestyles regarding adequate use of drinking water and house improvement. To implement the pilot, the following steps were set up in three phases: intensive, follow-up and reinforcement, as we can see in the scheme below.

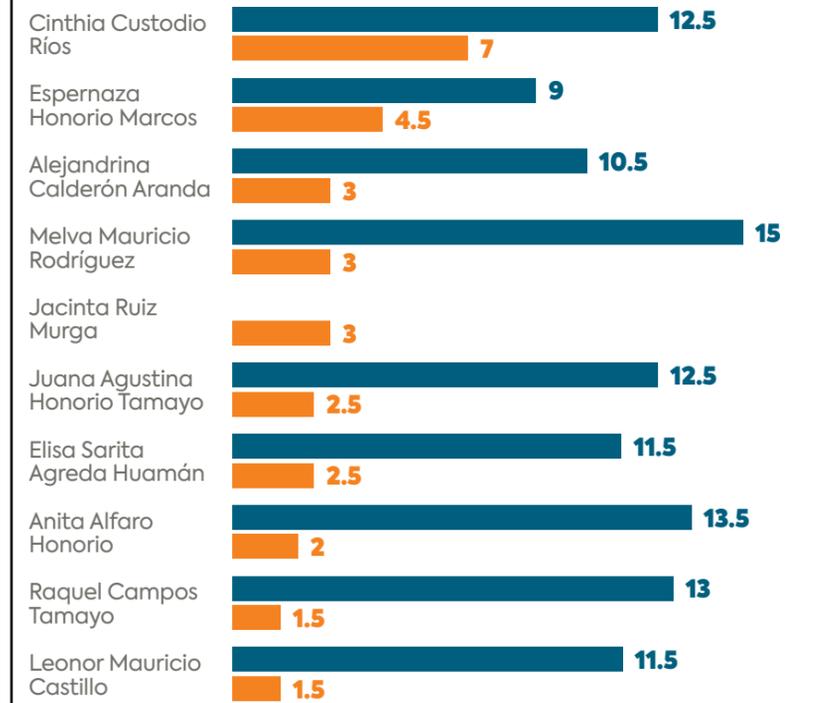
Ten families took part in sanitary education processes development, which entry evaluation is shown in the graph below. Here, we can see that most of the participant families did not pass the three evaluation points according to the matrix designed to evaluate certain aspects of a healthy house. Only two families scored 4.5 and 7.

After holding the health education workshops and motivating families to apply conduct changes and healthy behaviors, the exit evaluation shows that most families have exceeded 10 evaluation points, with 15 points being the maximum score. This indicates that families are willing to make positive changes and embrace healthy lifestyles, but guidance, motivation and greater participation of the health sector are required.

### HEALTHY HOUSES DEVELOPMENT SCHEME



### ENTRY AND EXIT EVALUATION OF THE HEALTHY HOUSES PILOT IN CHUQUITAMBO



■ Exit evaluation  
■ Entry evaluation



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## ACKNOWLEDGEMENT OF PUEBLO NUEVO JASS A MODEL ORGANIZATION

In 2020 the La Libertad Decentralized National Sanitation Services Superintendency Office (SUNASS) acknowledged the Pueblo Nuevo JASS, in Pataz district, for its good practices in the water disinfection process, within the framework of community organizations benchmarking, held every year.

The participation of the Pueblo Nuevo JASS is a reference within the Pataz

district, because in La Libertad region, only two JASS were selected: Pueblo Nuevo, which received our support through ACS Consultores in coordination with the Pataz District Municipality Municipal Technical Area (ATM); and the Chuchalac JASS, from Cascas district, supported by WFP (international NGO), which works in Peru and other countries in Latin America, and which works with the Cascas Municipality ATM.



## SOCIAL AND ENVIRONMENTAL COMMITMENTS

These correspond to the commitments we assumed in the Social Environmental Impact Assessments (EIAS). In 2020, 94 social and environmental commitments were programmed, out of which 92 were met. All the same, due to the health emergency, two objectives were suspended:

- Capacity building for authorities and community leaders in learning spaces (fora, events, courses, seminars, internships): the goal was a CODECOS internship.

### SOCIAL AND ENVIRONMENTAL COMMITMENTS FROM QUARTER I TO IV 2020

- 8** Mine closure update plan
- 30** EIA Marañon to 800 MTPD
- 16** EIA Santa María to 1000 MTPD
- 14** Provisional semi-detailed EIA Montañitas
- 26** Provisional semi-detailed EIA Palca

- JASS Strengthening: the goal was an internship.

### HANDLING OF GRIEVANCES AND COMPLAINTS

The implementation of this subprocess for mitigation and compensatory damages is important for us and its purpose is to guarantee and implement safe operations, controlling the social and environmental risks and impacts on the communities.

Through our procedure for handling grievances, complaints, and compensation for damages we strengthen our relations with the population through proper and satisfactory resolution of claims and disputes. In the mitigation process of damages, as a preventive action, we focus on minimizing negative impacts and promoting positive changes among the population, as well as on settling disputes for property damages.

The procedure for social grievances and complaints for damages is assessed through the PDVA methodology: Plan: we identify and channel grievances and complaints; Do: We hear the cases immediately. Verify; we determine our responsibility through a technical evaluation. Act: We sign a compensation agreement act if we are considered responsible.

THROUGH OUR PROCEDURE FOR HANDLING GRIEVANCES, COMPLAINTS, AND COMPENSATION FOR DAMAGES WE STRENGTHEN OUR RELATIONS WITH THE POPULATION THROUGH PROPER AND SATISFACTORY RESOLUTION OF CLAIMS AND DISPUTES.



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COMPROMISO CON  
LAS COMUNIDADES  
VECINAS  
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COMMUNITIES

## RECEPTION OF GRIEVANCES OR COMPLAINTS



# GRIEVANCE AND COMPLAINT PROCEDURE FLOWCHART



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In 2020 we received one complaint for property damage in the Marañon Production Unit, that were taken care of and timely solved through a timely and equitable compensation.

### REMEDIATION OF DAMAGES FROM 2016 TO 2020



### ACQUISITION OF REAL AND SURFACE RIGHTS

In 2020, the Community Relations department through the sub process

of acquisition of real and surface rights purchased 14,188 hectares to build the components under the Palca environmental assessment, as in the modification of the Santa Maria environmental assessment modification to 1,000 t/day.

### PURCHASE PLAN FROM QUARTER I TO IV 2020

CLOSED



6,700 hectares were purchased under easement agreements to carry out prospection survey works for the Santa Filomena project, in Sartimbamba district, Ariabamba project, in Pias and Estrella Dorada, in Huaylillas.

### PURCHASE PLAN FROM QUARTER I TO IV 2020

CLOSED



## COMMUNICATION MANAGEMENT TO FIGHT AGAINST COVID-19 AND WEATHER EVENTS

2020 was different from what had been planned. We began with campaigns for the mitigation of natural hazards and dealing with inclement weather in the unit. To this end, a series of booklets on health and prevention of natural hazards was prepared and distributed among the dwellers of the 14 communities, and this campaign was reinforced with radio messages.

In February, during the XX Quality Week, we disseminated information on covid-19 prevention. In March, after the declaration of the health emergency, we began to develop biosafety protocols to adequate our daily activities to the preventive measures to avoid the spreading of the virus.

### OUR RESPONSE TO COVID-19

Once the protocols were developed and approved,

we carried out a series of preventive measures and designed instructions that were disseminated through printed and audiovisual materials, which were sent to our workers, contractors, and artisanal miners, Pataz dwellers and workers' families.

Simultaneously, under the concept "taking care of caregivers" the Project Familias Seguras y Poderosas (Safe and Powerful Families) was implemented in Alliance with NGO America Solidaria). The purpose of this Project is to care for the health of the workers and their families by building the capacities our company's social workers and contractors to educate the workers in innovative technologies and methodologies to prevent the spread of covid-19 through education campaigns.

We managed to contain and reduce the spread of the virus, we were able to deal with cases and implement a culture of prevention in our operations, homes, and communities. To this end we deployed several campaigns: "I take care of myself, Poderosa takes care

of you" (workers outside the unit and families), "I take care of myself, Poderosa takes care of me" (workers in the unit), Poderosa values for prevention that reaches every worker in the company.

WE MANAGED TO CONTAIN AND REDUCE THE SPREAD OF THE VIRUS, WE WERE ABLE TO DEAL WITH CASES AND IMPLEMENT A CULTURE OF PREVENTION IN OUR OPERATIONS, HOMES, AND COMMUNITIES.

### DEALING WITH COVID-19 IN THE COMMUNITIES

We overcame the difficulties of the pandemic to reach the annexes with information and redesigned our way of distributing materials and publications in the 14 annexes of Pataz. We succeeded in getting the local distributors of Batolito Comunitario (called Las Batolitas) to carry

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out these activities with the necessary biosafety and protection measures.

In addition, we have worked on the “No pasa nada” (It’s okay) campaign to strongly communicate prevention measures and compliance, mainly addressed to the Pataz community (14 communities) and to artisanal miners.

Despite the pandemic, we have maintained a positive presence in the local, regional, and national media, where we communicate our social responsibility actions, our community support to prevent covid-19 spread, as well as our institutional achievements.

In 2020, we have used all the prevention communication to reinforce our message of concern for each worker and their families, under the health and safety-first approach.



## ASOCIACION PATAZ

The land where we develop our projects and activities is surrounded by spectacular vegetation and thriving neighbors who seek the best for their families and their villages. We are in a broad and complex territory inhabited by peoples with different development levels. Therefore, we organized and set up an intervention strategy to enable us to make the best possible use of available resources, both our own and from third parties, specifically through Asociacion Pataz created on December 30, 2004, by Compañía Minera Poderosa S.A. and Compañía Aurifera Suyubamba S.A. and which started operating on August 21, 2006.

Asociacion Pataz fosters cooperation between the public and private sectors through programs, projects, and activities to support the communities and villages in Pataz, Pías, Chilia, Chugay, Tayabamba, Huaylillas, Ongon, Bulbibuyo, Huamachuco, Cochorco, Chugay, Sartimbamba, Curgos, Julcan and Condormarca, which add up to 113 communities. Moreover, it is always looking for



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domestic and international cooperation allies.

It is necessary to mention that, in 2020, we have initiated the process of creating the Center for Social Innovation, as a space for dialogue that encourages participation, integration and learning to improve our actions through social and open innovation, which enable the creation of alternative proposals to improve the life quality of families living in poverty.

In the 2020 Sustainability Report, prepared according to the Global Reporting Initiative (GRI) guidelines, attached to this document, we publish the achievements of the projects carried out by Asociacion Pataz per goals and institutional lines of action. The Report is also available at the following web site



[WWW.ASOCIACIONPATAZ.ORG.PE](http://WWW.ASOCIACIONPATAZ.ORG.PE)

## WORKS FOR TAXES 2020

The Works for taxes mechanism is a political tool for the development of districts and villages, that promotes public investment throughout the country. We take part in this significant progress in the Pataz province thanks to a joint effort between the public and private sector.

WE TAKE PART IN THIS SIGNIFICANT PROGRESS IN THE PATAZ PROVINCE THANKS TO A JOINT EFFORT BETWEEN THE PUBLIC AND PRIVATE SECTOR.

We actively contribute and sponsor projects within the framework of the 2030 Sustainable Development Goals in which the eradication of poverty, the fight against climate change and the reduction of inequalities are a priority. We continue to work in projects

that drive the economy of the farming communities, that include comprehensive and sustainable solutions that foster works that improve the life quality of the families, as well as 24-hour access to water and sanitation services, quality education for the local children, agricultural development to improve our farmers' competitiveness in La Libertad region.

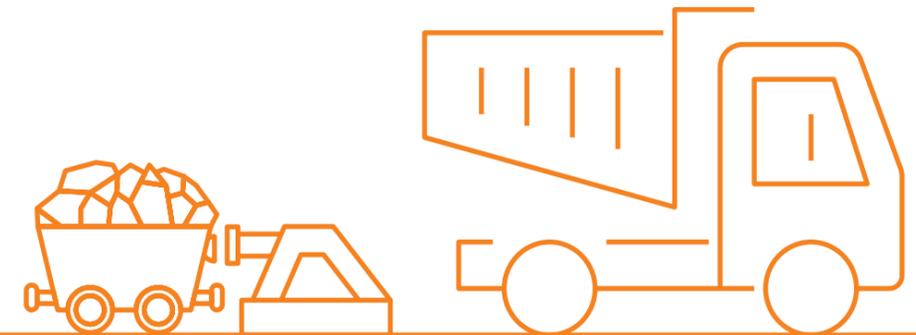
2020 was very difficult year to tackle due to the health situation that our country and the world are still undergoing, however, the works for taxes mechanism is a strategic ally to reduce the infrastructure gap, promoting economic reactivation in these crisis times. Therefore, through teamwork and strict compliance of the safety protocols, we were able to successfully resume the Pataz Library Park, and the Rural Electrification projects in Pias district. The Library Park project will enable hundreds of children and young people in the district of Pataz to have a new space to enjoy reading and improve their educational conditions, while the rural electrification project will benefit 140 families in 3 communities in

Pias district. Both projects, that generate great expectations among the population will be ready in the first half of 2021. As part of our community work, the pre-investment studies were made for a public investment project for sanitation in five communities in Tayabamba district, Pataz province, with an estimate investment amount of PEN 16 million.

## FORMALIZATION PROGRAM FOR ARTISANAL MINERS

By the end of 2020, the number of artisanal miners working with us under exploration and exploitation contracts was 286, out of which 28 are already formal and 258 are undergoing formalization. With the support of our program, 188 have filed their environmental management

instruments before the competent authority before December 31, 2020. 28 of them have developed the corresponding instruments on their own. Finally, 42 artisanal miners work under DS N° 001-2020-MINEM regime, which modified Article 18 Regulation of the Formalization and Promotion of Small and Artisanal Mining Law which was approved by DS N° 013-2002-EM.





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## DIRECTORS PROFESSIONAL BACKGROUND

**Evangelina Arias Vargas de Sologuren**, Executive Chair of the Board of Directors. She graduated as an architect from Universidad Nacional de Ingenieria (UNI).

Currently, she also chairs the Board of Directors of Asociacion Pataz, Director of Compañia Minera San Ignacio de Morococha (Simsa), she is a director and member of Sociedad Nacional de Minería, Petróleo y Energía (Peruvian National Mining, Oil and Energy Association – SNMPE) consultative board, deputy vice president and member of the Board of Directors of Patronato de la UNI (ProUNI), member of the Canadian Peruvian Chamber of Commerce mining committee (CCCP), member of mining management engineering career advisory board at Universidad Peruana de Ciencias Aplicadas (UPC), Member of the Comité Consultivo del Comité Regional de Empresa, Estado, Academia y Sociedad Civil Organizada (CREEAS), founding Member of Empresarios por la Integridad (ExI), honorary

member of Women in Mining (WIM), member of Women Corporate Directors (WCD), member of the advisory committee and honorary member of the Asociación de Mujeres Empresarias del Perú (Peruvian Businesswomen Association – AMEP), among others.

She was the Director of the Peruvian Mining Engineer Institute (IIMP), (2018–April 2020), Chairperson of the Inter American Mining Society (Sociedad Interamericana de Minería – SIM) (2014–2016), Chairperson of the SNMPE (2013–2015), Director of CONFIEP (2013–2015), Chair of the Mining Sector Committee; Vice Chair of the Peruvian National Mining, Oil and Energy Association (2011–2013); Alternate Director of CONFIEP (2011–2013 and 2015–2017), member of CEAL (2013–2017), among other.

She was awarded the Doctor Honoris Causa title by UNI (2014), and the School of Architecture of this university granted her the Habich Torch (2r013). El Comercio newspaper and EY recognized her as Entrepreneurial Leader for Change in 2016 (LEC); Consejo Empresarial Alianza por Iberoamerica (CEAPI) awarded her the Woman,

Company and Leadership in Iberoamerica, (2019); Asociación de Mujeres Empresarias del Perú (AMEP) awarded her the Price Inspiring Women: Drivers of Change 2019; in 2020, Women in Mining UK included her in the list of 100 inspiring women in global mining; among others.

Mrs. Evangelina Arias Vargas de Sologuren is a shareholder with representative stock in the company.

**José Picasso Salinas**, official director since November 2006 and Vice Chairperson of the Board of Directors since April 2009. Businessman, Chairman of the Board of Directors of Volcan Compañia Minera S.A.A., Chairman of the Board of Directors of Reactivos Nacionales S.A., Vicepresident of Cosco Shipping Ports Chancay, Director of Bodegas Vista Alegre S.A., and Director of Cementos Polpaico S.A. Chile. Director of the Peruvian National Mining, Oil and Energy Association. Member of Consejo Empresarial Chileno Peruano (Chile – Peru Business Council – CEChP). Previously, Mr. Jose Picasso was Vice-president for Embotelladora Latinoamericana S.A.A. (Coca Cola) and was a

Director for Compañia Minera Atacocha S.A.A., Castrovirreyna Compañia Minera S.A., Corporacion Minera Castrovirreyra S.A., EXSA S.A., Compañia Molinera del Peru S.A., Compañia de Seguros La Fenix Peruana S.A., Lima Stock Exchange S.A., and Accion Comunitaria. Mr. Jose Picasso is married to Mrs. Carolina Arias Vargas, a Director of the companys.

**Victoria Isabel Arias Vargas**, official director since 2009. She was also an official director between 1991 and 1995, and alternate director between 2004 and 2009. She holds a licentiate degree in Business Administration by Universidad de Lima, with an MBA by the European Institute of Business Administration (Insead), Fontainebleau, France. She has been Commercial Manager and Director of Industrias Alimentarias S.A (Indalsa) and Deputy General Manager of Compañia Minera San Ignacio de Morococha S.A, General Manager of Servicios Pachachaca S.A. and Cleighdan Trading Inc., and Director of Sociedad Minera Gran Bretaña, and Asinde. Member of the Peruvian National Mining, Oil and Energy Association Advisory Board, Expomina 2018, and Vice Chair of Cedro board of

directors. At present, she is Official Director of Compañia Minera Poderosa S.A., Chairperson of the board of directors of Compañia Minera San Ignacio de Morococha S.A.A., official director of Compañia Minera Galaxia Dorada de Pataz SA, Director of Compañia Minera San Valentin SA, Director of the Club de la Banca y Comercio and Honorary Member of WOMEN CEO Peru, member of the OMA, Amautas Mineros Consulting Councils and director of the Canada Peru Chamber of Commerce board of directors. Mrs. Isabel Arias Vargas is a representative shareholder of the company.

**Ana Carolina Arias Vargas**, official director since March 2004, she was also an official director from 1997 to April 2001. She graduated as an economist from Universidad de Lima, and holds a Master's degree on Shipping, Trade and Finance by The City University of London; she pursued the Top Management Program "PAD" at Universidad de Piura. Between 1982 and 1999 she was an advisor to the trade management area of Compañia Minera San Ignacio de Morococha S.A. In 2001 she became director of the Peruvian National Mining,

Oil and Energy Association. From 2001 to 2006 she was vice chair of the Board of Directors of Compañía Minera San Ignacio de Morococha S.A.

**Jorge Picasso Salinas**, official director since 2009. He is a lawyer by the Universidad Católica school of law, and a businessman. He is currently a director of several companies such as Inversiones en Turismo S.A. and Vida Camara Peru S.A. He has been the President of the Peruvian Bank Association and of the Peruvian National Confederation of Private Business Institutions (Confiep).

**José de Bernardis Cuglievan**, official director since March 1998. He was Executive Director of Poderosa from 2005 to 2007. Industrial Engineer graduated from the Universidad Nacional de Ingeniería with a master's degree by ESAN and MBA by Texas University. He has been a director of several companies, with broad experience in executive and managerial positions in important companies, such as Cervceria Backus & Johnston, Compañía Nacional de Cerveza S.A., Quimpac S.A., Volcan Compañía Minera S.A.A.,

Compañía Minera Atacocha S.A.A., and Compañía Minera San Ignacio de Morococha S.A. until 2010. Since August 2019, he is a director of Compañía Minera San Ignacio de Morococha. Mr. De Bernardis is an Independent Director.

**Juan Antonio Assereto Duharte**, official director since 2001. He graduated as a geologist engineer from Universidad Nacional Mayor de San Marcos, pursued studies in the Top Management Program – PAD at Universidad de Piura and the CEOs Program at Kellogg, Northwestern University. He is currently an alternate member of the board of directors of Compañía Minera San Ignacio de Morococha S.A., and Vice President of the board of directors of Asociación Pataz. He is Director-Treasurer of the Silver Board of Peru and chair of the Organizing Committee of the following events: a) National Silver Contest 24 editions carried out since 1997; the 2020th edition was held virtually; b) Hispanic American Silver producer meeting, in its eight versions held since 2001. He was recently (2016) a member of the Board of Directors of Petroperu S.A. He was

formerly Executive Director of Comisión de Promoción de la Inversión Privada (Private Investment Promotion Commission – COPRI), Chairman of the Board of Directors and of the Special Privatization Committee (CEPRI) of Centromin Peru, S.A., General Manager and then Chairperson of the Board of Directors and member of the Special Privatization Committee (CEPRI) for Tintaya S.A., Chairperson of the Board of Directors of Perupetro S.A., Director of Refinería La Pampilla, Director of Empresa Eléctrica de Piura S.A. and Compañía Minera Iscaycruz. In 1997 he received the Engineer of the Year award from the Sociedad de Ingenieros del Perú (Peruvian Engineers' Association). Mr. Assereto is an independent Director.

**Walter Eduardo Sologuren Jordan**, official director since 2009. He was also an official director between 1987 and 1997 and an alternate director from 2004 to 2008. He studied geology at Universidad Nacional de Ingeniería and holds a master's degree in Business Administration by ESAN. He has worked as a geologist consultant, and, as such, in 1977, he visited the province

of Pataz to explore prospects for the Arias family, among other activities. In 1978, when he was Exploration Manager of Agessa, he took part in the construction of the Poderosa Project. In 1984, he assumed the position of Operations Manager of Poderosa and in 1987, he became General Manager. During his office, he was responsible for the growth from 120 to 650 tons per day; he pushed the project for the second plant of 200 t/d and decided the emission of two issues of corporate bonds. He has also been General Manager of other companies of the Arias family as well as of Barrick Misquichilca S.A., where he oversaw the design and commissioning of the Pierina mine and became Manager of Corporate Affairs. He was appointed Executive Director of Compañía Aurífera Real Aventura S.A.C. His work within this industry includes chairing the Peruvian National Association of Mining, Oil and Energy (SNMPE) and has been President and founder of the Gold Committee and the Environmental Affairs Committee. He has been a professor at Universidad Nacional de Ingeniería and Pontificia Universidad Católica del Perú. In 2000, he was elected Businessman of

the Millennium by Universidad Nacional de Ingeniería. Currently, he is General Manager of Compañía Minera Bencasi SA, director of Corporación Minera Ccoriorcco SAC. He is also a member of the External Consultative Committee at the School of Engineering, Mining Section at Pontificia Universidad Católica del Perú. He is a member of the Consulting Committee at the SNMPE. Mr. Walter Sologuren is married to Executive Chairperson Evangelina Arias Vargas de Sologuren.

**Víctor Augusto C. Ostolaza Fernández**, official director since 2000. He was alternate director from 1999 to 2000. He pursued studies at Universidad de Lima School of Law and Political Sciences where he graduated as a lawyer. He works with the Rossello Law Firm. He is responsible for the corporate and financial legal area at the firm. He has broad experience in tax regulation and corporate structure, including tax, corporate, commercial, civil, and contract areas, specialized in company reorganization and restructuring. He is a director of several corporations, including Compañía Minera San Ignacio de Morococha and Empresa Editora La

Industria de Chiclayo where he works as a legal advisor.

**Adolfo Darío Arias Díaz**, official director since December 2015. He was also an alternate director from 1999 to 2015. He studied at Fairleigh Dickinson University, Teaneck New Jersey, U.S.A. where he received a bachelor's degree of science in Electrical Engineering and a Master of Administrative Science degree. He currently acts as General Manager of Cultivos Organicos S.A.C. Mr. Adolfo Arias is son to the main shareholder of the company, Mr. Agustin Arias Davila.

**José Marún Sales**, official director since 2017. He is a mining engineer, graduated from Universidad Nacional de San Juan, Argentina, with more than 35 years of experience in copper and gold mining operations. He has pursued specialization courses in international business at the London Business School Global Business Consortium. He was General Manager at Xstrata Tintaya, Executive Vice President of Operations for South America at Xstrata Copper, for Peru, Chile and Argentina, where he was responsible for the operations at Tintaya, Antapaccay, Las Bambas, in Peru, Minera

Alumbrera, in Argentina, and Lomas Bayas, in Chile, between 2007 and 2013. From 2007 to 2010 he was also a member of the Antamina partners advisory committee. He was Executive General Manager of Operations for Argentina and Chile at Glencore (2013-2015).

From 2015 until June 2018, he was General Manager and CEO of Komatsu Mitsui Maquinarias de Peru S.A. Currently, he is a non-executive director in that company and an official director of San Ignacion de Morochocha S.A. Mr. Marun is an independent director.

**Juan Antonio Proaño Arias**, alternate director since 2009. He was an official director between 2001 and 2003, and an alternate director from 2004 to 2007. Mr. Proaño studied Mining Engineering at Universidad Nacional de Ingenieria; Economic Geology at Stanford University, California, USA; and completed the High Management Program at Universidad de Piura. He was Director of Cerro Grande Mining Corporation, a company with mining operations in Chile. He was vice-president of Compañía Minera El Indio and Compañía Minera San

Jose, both in Chile, as well as of Compañía Minera San Ignacio de Morococha S.A.A. He was General Manager of Sociedad Minera El Brocal S.A.A.; International Officer at the Interamerican Development Bank; Chief Engineer of Corporacion Interamericana de Inversiones, both based in Washington, D.C. U.S.A.: geologist at Cerro de Pasco Corporation, International Officer for Rio Doce Geologia e Mineracao, subsidiary of Companhia Vale do Rio Doce, in Brazil, and St. Joe Minerals Corporation, in New York, USA. He was Chair of the Peruvian Geology Association; Director of the National Mining, Oil and Energy Association; and Chair of the Peruvian Mining Producers Committee; Founder Director of the Mining Security Institute; Director of the Peruvian Mining Engineer Institute, among other. Mr. Proaño is an Independent Director.

**Fernando Cantuarias Alfaro** He studied at Pontificia Universidad Catolica del Peru and graduated as a lawyer at Universidad Nacional Mayor de San Marcos. He has worked mainly in the private sector as an expert in commercial law, in contract and tax aspects of the mining

and industrial sectors, as well as in bids and public tenders. He works abroad as an advisor to domestic and foreign clients on contractual aspects and is an advisor to government entities on bids and tenders. He is a consultant for different business groups and a member of the board of directors of most of the companies he advises. On several occasions he has been invited to be and arbitrator in some of the most important arbitration courts in Lima. From 2006 to 2007 he was the chief of the advisory board to the Minister of Housing and Construction and in 2008 he worked as the chief of the advisory board to the Ministry of Public Health. Between 2011 and 2014 he worked as deputy chief and chief advisor to the Ministry of Foreign Trade and Tourism. Currently, Mr. Cantuarias works as legal advisor for Estudio Rosello Law Firm.

**Eduardo Ferrero Costa**, alternate director since 2007. He is a lawyer and doctor in law by Pontificia Universidad Catolica del Peru. He has been senior partner at Estudio Echeconpar Law Firm and head of its International area. He is a professor of International Public Law at Pontificia Universidad Catolica del Peru

and a member of The Hague Permanent Arbitration Court; he is engaged in international affairs, international arbitration, and corporate matters, and is part of the board of directors of several companies and private institutions.

He has acted as Peruvian Minister of Foreign Affairs before the United States of America and the Organization of American States (AOS). He was chair of Centro Peruano de Estudios Internacionales (Cepei), President of the Arbitration Center of the Peruvian American Chamber of Commerce and dean of the Law School and senior professor principal at Universidad del Pacifico. He has acted as Peru's General Attorney in international proceedings, such as the negotiations of Peru with Ecuador about territorial delimitation, the free trade negotiation with the United States of America, and the proceedings against Chile on the maritime delimitation before the International Court of Justice. He has published several articles in his area of expertise.

**Ricardo Eleazar Revoredo Luna**, alternate director, business consultant, and

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holds a licentiate degree in Business Administration by Universidad Nacional Federico Villarreal in Lima, Peru, with post graduate studies at the Brazilian Institute of Capital Markets (Ibmec), RJ Brazil and specialization studies in finance at ESAN, Lima. He has been Vice Chairman of the board of directors at the Lima Stock Exchange and at Cavalli ICLV S.A. He is currently a director at the Lima Stock Exchange SAA, director of Volcan Compañía Minera SAA, director of Compañía Minera Chungar SAC, director of Proyectos Medicos SA, alternate director of Compañía Minera San Ignacio de Morococha SAA and member of the Universidad San Ignacio de Loyola (USIL) Corporate Management and Finance advisory council.

**Rafael Picasso Salinas**, alternate director since April 2009. He graduated in 1986 as a Lawyer from Pontificia Universidad Católica del Perú and obtained his title in 1987. He works with Estudio Ehecopar Law firm since 1990 where he is a partner since 2004. He is the Chairman of the board of directors of Invertur, Director of Reactivos Nacionales S.A. (Renas), Director of Granja Azul S.A., and Chairman of the board of directors of AFP

Habitat. He is also a professor of the Corporate Law Seminar at Universidad de Lima School of Law.

**Carolina María Castro Quirós**, alternate director since 2012. She studied at Universidad de Lima School of Law and Political Sciences where she graduated as a lawyer. She is a partner at Estudio Rosello law firm in the corporate and finance law area. She is an alternate director of Compañía Minera San Ignacio de Morococha SAA. She has broad experience in business and financial structure, including corporate, trade and civil law areas.

**Carlos Aranda Arce**, alternate director since 2017. He holds a master's degree in Biologic Sciences, and graduated from Universidad de Puerto Rico, Recinto de Rio Piedras. He is Technical Services Manager at Southern Peru Copper Corporation, Peru branch. He is a member of The Extractive Industries Transparency Initiative (EITI) International Board of Directors and official mining company representative before the EITI Peru Permanent Multisector National Committee. Chair and director of the Instituto de Estudios Energetico Mineros

(IDEM). SNMPE advisor of the Peruvian Delegation before the International Maritime Organization (IMO). He is Vice chair of Citizen Participation before the Consejo de Cooperacion con la Direccion Ejecutiva de Turismo de la Policia Nacional del Peru (Cooperation Council with the National Police Tourism Executive Board). He was director of the SNMPE between 1998 and 2001. Between 1995 and 2016 he chaired the SNMPE Environment Issues Committee. In 2008 he was invited to be part of the working team that drafted the Law to create the Ministry of the Environment and was later member of the Advisory Board of this Ministry until 2012. He was a member of the Board of Directors of Fondo de Promocion de las Areas Naturales Protegidas del Peru (Peruvian Natural Protected Areas Trust -PROFONANPE) between 2009 and 2013 representing CONFIEP. Between 2009 and 2011, he was Chair of the AmCham Sustainable Development Committee. Mr. Aranda is an independent director.

**Luis Carlos Marchese Montenegro**, director alternate director from August 2019 to May 2020.

Graduated as a mining engineer from PUCP. He holds a master's degree in Mineral Economics by the Pennsylvania State University. He has attended the AMP at GIBS University of Pretoria, and the ASMP at Cambridge and Queensland universities. He has more than 24 years of experience in mining operations and projects, especially in Peru, Chile and Canada. He is currently CEO of Sierra Metals. In the past 12 years, he has held different positions such as General Manager of Quellaveco (Moquegua) and Michiquillay (Cajamarca) projects, Country Manager of AngloAmerican in Peru and advisor to the CEO. Director and former President of the SNMPE (from 2017 to 2018), alternate director of Confiep.

## ANNEX 2

OFFICERS  
PROFESSIONAL  
BACKGROUND

**Russell Marcelo Santillana Salas**, General Manager of Compañía Minera Poderosa S.A. He graduated in 1973 as a mining engineer from Universidad Nacional de Ingenieria. He was worked for 46 years in different mining companies. He has worked for 34 years with Compañía Minera Poderosa S.A., which he joined as Operations Deputy; In 1988 he was promoted to Operations Manager and in December 2001 he was appointed General Manager. He has pursued post graduate courses at ESAN and Universidad de Lima. He was part time professor at Universidad Nacional de Ingenieria; and has been a speaker in several specialized mining congresses. He was a member of the Peruvian Association of Engineers, Mining Chapter Governing Board. He is currently a director of the Instituto de Seguridad Minera (Mining Safety and Security Institute - ISEM), member of the Peruvian National Mining, Oil and Energy Association Governing Board and member of Mining Sector

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Committee. He is a Member of the Board of Directors of the Peruvian Mining Engineers Institute. In 2018, KPMG and ESAN recognized him as the Most Profitable CEO in 2018 in the Mining Sector. In October 2019 he was recognized by *Semana Economica* as the most profitable CEO in Peru and the most profitable CEO in the mining industry, for second consecutive year.

**Daniel Torres Espinoza**, Operations Manager since January 2, 2017. Mining engineer graduated from Universidad Nacional de Ingenieria, ranking first in his class. He then pursued a Quick MBA at Gerens. He has taken part in several specialization programs at Universidad del Pacifico, Yale (SEL), Wharton-Universidad in Pennsylvania (CBS) and AOTS (Japan). years of experience in underground, gold, tin, and polymetallic mining. Between 2014 and 2017 he worked as Operations Manager for Minsur S.A. Unidad San Rafael (Breca Grupo Empresarial Mining Division). Between 2011 and 2014 he was Operations Manager at Andaychagua, San Cristobal and Operations Manager for Unidad Yauli (interim) from Volcan Compañia Minera. Before that, from 2004 to 2011 2011, he worked as

Planning Superintendent for Unidad Yauli and for Empresa Administradora Chungar property of Volcan Compañia Minera. From 2000 to 2004 he worked as Mining and Planning Superintendent at Compañia Minera Huaron, property of Pan American Silver. Before 2000, he was Mine Project and Planning Head at Empresa Minera Yauliyacu (now, Quenuales) property of Glencore, and in Centromin Peru as Area Chief, Section Chief, and Guard Chief. It must be mentioned that engineer Torres started his career as Mine Planning Assistant in Compañia Minera Poderosa. He has also been guest speaker at the XX Peruvian Mining Engineers Convention held in Arequipa.

**Walter Díaz Meyzan**, Head of the Integrated Management and Social Responsibility System since 2018. He graduated as an industrial engineer in 1993 from Universidad de Lima. He pursued post graduate studies, holds an MBA by Universidad del Pacifico and an Executive Master's degree in Comprehensive Quality Management, Environment and Labor Risk Management by Escuela de Negocios de Madrid (EOI). He is certified as Lean Six Sigma Black Belt. Ex participant of AOTS

(Japan), in 2018 and 2019, with specialization in energy savings, 5S and innovation. He is an expert in anti-bribery management systems in LMS CERT Latam. He has 29 years of experience. From 2005 to 2010 he worked for Glencore – Xstrata, Swiss as Deputy Operations Manager, in Perubar (2005–2007), and was Quality, Safety and Security and Environmental Comprehensive Management System Corporate Coordinator (2007–2010). Between 2010 and 2017 he was Quality Management Manager (Safety and Security and Environment) at Corporacion Aceros Arequipa.

**José Antonio Elejalde Noya**, Management, Finances and Trade Manager. Economist graduated from Universidad de Lima. He holds an MBA from Incae Business School and Universidad Adolfo Ibañez. He has participated in several specialization programs at Universidad de Piura, ESAN, Chicago University, Harvard University, Kellogg University, INCAE and AOTS, Japan. He holds a Comprehensive Ontological Coach certificate, and he is also a member of the John Maxwell Team. Since July 2003, he works as Management, Finance and Trade Manager at Compañia

Minera Poderosa and General Manager at Compañia Aurifera Suyubamba S.A., related to Poderosa until August 2011. He worked as Sales and Marketing Manager for Volvo Finance Peru S.A., a company of the Volvo Group which he worked with for 11 years.

**Fausto Cueva Castillo**, gerente de Geología y He graduated as a geology engineer from Universidad Nacional de Ingenieria, in 1987 and holds registry number 34903 in the Peruvian Engineer Association. He has worked for 33 years as Explorations Geologist, for Compañia Minera Pativilca during copper explorations in the Mala district in Lima. He also worked as a High School teacher in Colegio La Inmaculada Concepcion Patataz district, where he was born. Before joining Poderosa, he carried out geology surveys in Suyubamba as an independent geologist. He has worked for Compañia Minera Poderosa for 35 years, since 1985, when he joined the Universidad Heidelberg PHD student team to carry out the Patataz Batholith Metallogenetic Study. In 1986 he started working as Section Geologist in Papagayo. In 1987 he

is awarded the Geologist Engineer degree with the thesis titled "Economic Geology of the Patataz District". In 1991 he is appointed as Geology Superintendent in Poderosa. In 1989 he carried out a guided visit to several industrial plants and mines in Sudbury, Canada, and in the same year he attended the World Gold Congress in Reno, after which he visited two of Newmont's gold mines in Nevada – U.S.A. In 1996 he participated in a guided visit organized by SONAMINPET to several mines and projects in the Nevada belt, U.S.A. In 2004 he takes part on a guided tour to 4 gold mines in Harmony, South Africa. In 2006 he studied a course in Total Quality in Yokohama – Japan, called Latin American Quality Management. In 2009 he takes part in the assessment team to observe the application of an Ore Sorter in Poderosa, which took place in Hamburg, Germany. He has participated in several courses and important mine related events as an assistant and a speaker. In 2016 he was appointed Geology and Explorations Manage.

**Helena Zuazo Arnao**, Head of the Legal Department. EMBA candidate at Universidad Adolfo Ibañez. She completed a Master's

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degree in Mining Law at Universidad Peruana de Ciencias Aplicadas (UPC) in 2014. She is an attorney by Universidad de Lima since 2005, with over ten years of experience as a corporate attorney in the mining industry. She has participated in several specialized mining, environmental and business law programs at ESAN, UPC, and Pontificia Universidad Católica del Perú. Since April 2015 she holds the position of Head of the Legal Department at Poderosa.

**Iván Asmat Salazar**, chartered public accountant, graduated from Universidad Nacional de Trujillo, with

23 years of experience in the mining industry. He pursued post graduate studies at ESAN in the High Specialization Program in International Financial Reporting Standards, Financial Accountability Management, and Advanced Accountability Management. All the same, he pursued studies at Peruvian National Mining, Oil and Energy Association– SNMPE with specialization in Taxation and International Financial Reporting Standards, and Leadership Management studies at Universidad INCAE, Costa Rica. He also holds a master's degree in Auditing by Universidad del Pacífico.



# ANNEX 3

## PERMITS, APPROVALS AND AUTHORIZATIONS

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Beneficiation Concession	Marañon beneficiation concession deed, installed on 6 ha, Marañon plant	RD N.º 313-90-EM-DGM/DCM	9/5/1990
		Authorization for the expansion of the Marañon beneficiation concession 269.09 ha and operation of the Livias filtered tailings deposit	RD N.º 1315-2015-MEM-DGM	17/8/2015
	Marañon beneficiation plant	Authorization for the operation of the Marañon beneficiation plant to 700 MTPD capacity	R N.º 028-2011-MEM-DGM-V	24/1/2011
		Construction permit for the chemical refinery to implement the recovery process technological improvement	R N.º 399-2013-MEM-DGM-V	17/10/2013
		Construction permit for the expansion of Marañon Plant treatment capacity from 700 MTPD to 800 MTPD	RD N.º 0851-2016-MEM-DGM	31/12/2016
		Communication about sifter replacement in the grinding process, Marañon Plant	R N.º 1118-2017-MEM-DGM/V	29/11/2017
		Communication about equipment replacement due to Technological Enhancement in the collection belts and special mineral transfer system in the Marañon Plant	Resolución N.º 0511-2019-MINEM-DGM-V	19/6/2019
		Communication about equipment replacement due to Technological Enhancement of the Smelting Process in the Marañon Beneficiation Plant to 800 MTPD	R N.º 0065-2018-MEM-DGM-V	1/2/2018
		Communication about equipment replacement due to Technological Enhancement in the grinding process (replacement of 8x10 mill by 9.5x12 and the 6x6 mill by 8x10) Marañon beneficiation plant to 800 MTPD	R N.º 0605-2018-MEM-DGM/V	11/7/2018
		Communication about equipment replacement due to Technological Enhancement of the primary crushing process- Marañon plant primary crusher	R N.º 0605-2018-MEM-DGM/V	20/11/2020



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PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Tailings ponds	Operation authorization for the Marañon plant tailings pond N°6 up to level 1,270 m.a.s.l..	AD N.° 224-2003-MEM-DGM/PDM	7/11/2003
		Operation authorization for the Asnapampa tailings pond up to a 1200 m.a.s.l. maximum level	RD N.° 993-2009-MEM-DGM-V	21/12/2009
		Technical Mining Report ITM por the construction and operation of the Asnapampa expansion from level 1200 to 1204 m.a.s.l.	R N.° 0403-2015-MEM-DGM/V	10/9/2015
		Operation authorization for the Quebrada Livias filtered tailings pond, level 1504 m.a.s.l. 1st Stage	R N.° 0360-2015-MEM-DGM/V	17/8/2015
		Operation authorization for the Quebrada Livias filtered tailings pond, level 1504 m.a.s.l. 2nd Stage	R N.° 0008-2017-MEM-DGM/V	10/1/2017
		Certificate of Absence of Archaeologic Remains at Revolcadero waste rock deposit	CIRA 58-2020-DDC-LIB/MC	29/7/2020
	Dumpsters	Authorization for Estrella 2 and Estrella 3 dumpster construction	RD N.° 0086-2015-MEM-DGM	30/3/2015
		Operation authorization for Estrella 2 dumpster	R N.° 0359-2016-MEM-DGM/V	30/6/2016
		Operation authorization for Estrella 3 dumpster	R N.° 1043-2017-MEM-DGM/V	12/8/2017
		Operation authorization for Estrella 3 dumpster	R N.° 1043-2017-MEM-DGM/V	12/8/2017

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Water use	License for 10 l/s water use from the Chorro Blanco and el Oso gorge for the Marañon Plant, camp sites and Vijus village	RA N.° 319-2009-ANA-ALA	17/9/2009
		400-liter water use license from the El Tingo gorge, to generate energy for mining and metallurgic purposes	RD N.° 0062-91-AG-DGAS	5/8/1991
		Surface water use license from Lavasen river for mining purposes	RD N.° 1451-2014-ANA-AAA.M	31/12/2014
	Residual water reuse and discharge	Authorization for reuse of the Paraiso II compact residual water treatment plant effluents	RD N.° 298-2019-ANA-AAA-M	23/4/2019
		Authorization for reuse of domestic residual water treated at Paraiso camp.	RD N.° 577-2019-ANA-AAA.M	20/8/2019
		Renewal of the Authorization for the disposal of industrial residual water treated at Estrella mineshaft Level 1467. Marañon tailings pond E and Vijus domestic residual water treatment plant	RD N.° 160-2016-ANA-DGCRH	12/7/2016
		Reuse of domestic residual water treated ad Vijus for irrigation purposes	RD N.° 1791-2017-ANA-AAA-M	17/8/2017
		Sanitary Authorization for a septic tank and infiltration in the Papagayo field – septic tank	RD N.° 1722-2017-DCEA-DIGESA-SA	27/6/2017
		Sanitary Authorization for a septic tank and infiltration in the loading chamber field	RD N.° 0752-2017-DCEA-DIGESA-SA	2/5/2017
		Sanitary Authorization for a septic tank and infiltration in the LPC field	RD N.° 0828-2017-DCEA-DIGESA-SA	4/5/2017
File to authorize the reuse of the Vijus compact domestic residual water treatment plant effluents	RD N.° 1791-2017-ANA-AAA.M	7/8/2017		
Sanitary Authorization for a septic tank and infiltration in the Trocha field – septic well	RD N.° 1725-2017-DCEA-DIGESA-SA	27/6/2017		

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PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Power generation	Authorization for 6.915 Mw electric power generation activities at A. Samaniego Alcantara thermal power station.	RG N.° 0108-2012-GR/GEMH-LL	17/8/2012
		Authorization for 1.05 Mw electric power generation activities at Santa Maria thermal power station.	RM N.° 034-94-EM/DGE	20/6/19948
		Authorization for electric power generation at El Tingo.	RM N.° 099-94-EM/DGE	6/8/1994
	Power transmission	EIA of the 60 kv Santa Monica substation (Cajabamba) to Morena substation (Pataz) power transmission line	RD N.° 208-2004-MEM/AAE	28/11/2004
		Final concession for the 60 kv Cajabamba - Morena power transmission line	RS N.° 042-2005-EM	14/7/2005
	Direct LPG Consumer and liquid fuel	Registry for liquid fuel direct consumer Poderosa	Registro N.° 1281-051-040619	4/6/2019
		Operation Authorization for the bulk LPG facility for direct consumer at Paraiso II camp site.	RG N.° 13171-2014-OS/OMR III	4/10/2014
		Operation Authorization for the bulk LPG facility for direct consumer at Vijus camp site.	RG N.° 13168-2014-OS/OMR III	4/10/2014
		Operation Authorization for the bulk LPG facility for direct consumer at Paraiso I camp site.	RG N.° 13166-2014-OS/OMR III	4/10/2014

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Explosives	Main type A powder magazine for blasting accessories at level 2,450- blasting accessories	RD N.° 03134-2019-SUCAMEC-GEPP	27/11/2019
		Main type A powder magazine for blasting accessories at level 2,450-explosives	RD N.° 03136-2019-SUCAMEC-GEPP	27/11/2019
		Main type A powder magazine for blasting accessories at level 2,450-anfo	RD N.° 03137-2019-SUCAMEC-GEPP	27/11/2019
		Authorization for a storage facility for blasting accessories at Papagayo	RD N.° 1566-2015-SUCAMEC-GEPP	21/07/2015
		COM 2019 UEA La Poderosa, Trujillo	COM 106-2018-C	10/12/2018
		Authorization for a storage and use of explosives and related materials 2019 UEA La Poderosa, Trujillo	RG N.° 293-2020-SUCAMEC-GEPP	04/02/2020
	Environmental instruments	Approval of the Environmental Adjustment and Management Program (PAMA) execution for the Marañon Production Unit.	RD N.° 028-2003-EM/DGM	27/01/2003
		Approval of the EIA for Asnapampa I tailings deposits Project	RD N.° 022-2006-MEM/AAM	20/1/2006
		Supporting Technical Report (ITS) approval for the disposal of filtered tailings at Asnapampa-ITS Asnapampa tailings pond	RD N.° 148-2014-MEM-DGAAM	26/3/2014
		Approval of the EIA for the Expansion of the Mining Operations and Beneficiation Plant to 800 MTD	RD N.° 450-2014-MEM-AAM	1/9/2014
Approval of the Expansion of the Asnapampa Tailings Dam at 1204 m.a.s.l. - ITS Marañon to 800 MTD.	RD N.° 236-2014-MEM-DGAAM	31/12/2014		
ITS approval for the drying ponds of tailings pond N 6, PTARD Vijus and other components	RD N.° 461-2015-MEM-DGAAM	26/11/2015		
Environmental Impact Statement LT 25 KV S.E LPC (Morena) to C.T. A. Samaniego	RGR N.° 085-2017-GRLL-GGR/GREMH	17/9/2017		
Soil EQS Marañon Production Unit	RD N.° 294-2017-MEM-DGAAM	12/10/2017		

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PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Environmental instruments	Terms of Reference and Preliminary Assessment for the EIA modification for the expansion of the mining operations and concession of Marañon beneficiation to 800 MTD	RD N.º 113-2017-SENACE/DCA	8/5/2017
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan	RD N.º 102-2018-MEM-DGAAM	17/5/2018
		3rd Supporting Technical Report Poderosa – change of purpose of the Revolcadero tailings for waste rock deposit and others	RD N.º 00021_2020-SENACE_PE_DEAR	30/1/2020
		Environmental Impact Statement Explorations La Lima	RD N.º 039-2019-MEM-DGAAM	12/3/2019
	Exploration	Authorization to start mining exploration activities at La Lima	Constancia de aprobación automática 0009-2019-DGM	2/7/2019
		Use of gorge water sides	Authorization for infrastructure construction on water source La Brava gorge, Transportation of waste rock from dumpster 2080 to Estrella 2 dumpster	RD N.º 2786-2017-ANA.AAA.M
Authorization for infrastructure construction on water source. El Tingo. Transportation of waste rock from Karola dumpster to Estrella 2 dumpster	RD N.º 2785-2017-ANA.AAA.M		5/12/2017	
SANTA MARÍA	Benefit concession	Approval of the concession title for the expansion of the Santa María I benefit concession to 21.60 ha.	RD N.º 171-2010-MEM/DGM	8/9/2010
		Expansion of the Santa María I benefit concession to 399.39 ha and operation authorization for Hualanca – Stage I tailings deposit.	RD N.º 260-2016-MEM-DGM	26/9/2016

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE	
SANTA MARÍA	Santa María I beneficiation plant I	Operation Authorization for the Santa María I Beneficiation Plant to 600 MTPD. Stage II.	R N.º 0370-2016-MEM-DGM-V	5/7/2016	
		Installation of additional equipment in the crushing, grinding and liquid separation circuits at Santa María Plant.	R N.º 0178-2015-MEM-DGM/V	8/5/2015	
		Communication of Press Filter installation in the tailings filtering circuit at Santa María Plant.	R N.º 0428-2017-MEM-DGM/V	15/5/2017	
		Communication of replacement of the secondary crusher due to obsolescence and efficiency	Informe 214-20178-MEM-DGM-DTM-PB	18/7/2018	
		Authorization for the construction of the Santa María I beneficiation plant to 1000 MTPD.	R N.º 0542-2018-MEM-DGM/V	15/6/2018	
		Operation Authorization for the Santa María I Beneficiation Plant to 1,000 MTPD, stage 1-crushing	R N.º 0591-2019-MINEM-DGM	9/12/2019	
	Tailings	Communication about equipment replacement due to Technological Enhancement in primary crushing – replacement of Santa María primary crusher			20/11/2020
		Authorization for the operation of the expansion of the “Santa María I” tailings pond at 2,464.5 m.a.s.l.	RD N.º 1071-2009-MEM-DGM/V		30/12/2009
		Operation Authorization of the Santa María tailings pond 2, up to level 2,412 m.a.s.l.	R N.º 0140-2015-MEM-DGM-V		13/4/2015
		Technical Mining Report (ITM) for the construction and operation of the filtered tailings plant and disposal of tailings in Santa María 2 tailings pond at 2415 m.a.s.l.	RD N.º 0319-2015-EM-DGM/V		27/7/2015
	Approval for the construction of filtered tailings pond in Hualanca to a maximum level of 1490 m.a.s.l.	RD N.º 0120-2015-MEM-DGM-V		6/4/2015	

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PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
SANTA MARÍA	Tailings	Approval for the construction of filtered tailings pond in Hualanga to a maximum level of 1490 m.a.s.l.	R N.° 0582-2016-MEM-DGM/V	26/11/2016
		Operation Authorization for the filtering tailings pond in Hualanga to a maximum level of 1360 m.a.s.l.	Informe N.° 349-2018-MEM-DGM-DTM-PB	18/12/2018
		Operation Authorization of the Santa Maria 2 tailings pond. Stage II. Phase 3. 2412 – Modification of the Operation Manual	R N.° 294-2020-MEM-DGM/V	18/12/2018
	Waste rock deposits	Authorization for Chunturco N° 1 y N° 2° waste rock deposit construction	R N.° 0096-2020-MINEM-DGM/V	18/2/2020
		Certificate of Absence of Archaeologic Remains (CIRA) waste rock deposit at Santa Maria N° 2-El Hueco, additional areas	CIRA 55-2020-DDC-LIB/MC	21/7/2020
		Certificate of Absence of Archaeologic Remains (CIRA) waste rock deposit at La Tuna	CIRA 61-2020-DDC-LIB/MC	30/7/2020
	Water use	1.20 l/s superficial water use permit for mining purposes from Marleny	RA N.° 187-96-DRA-LL-AASC/ATDRH	19/12/1996
		Water use license from Virginia for mining purposes	RD N.° 352-2014-ANA-AAA.M 9-04-2014	9/4/2014
		Water use license from Santa Maria gorge for mining purposes	RD N.° 1169-2016-ANA-AAA.M	6/9/2016
		Water use license from Puquiopata gorge for mining purposes	RD N.° 1172-2016-ANA-AAA.M	6/9/2016
		Licencia de uso de agua con fines mineros-Puquiopata	RD N.° 1192-2016-ANA-AAA.M	6/9/2016

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
SANTA MARÍA	Residual water reuse and discharge	Authorization for Industrial Residual Water disposal, Consuelo, Atahualpa, and Santa Maria mines	RD 105-2020-ANA-DCERH	5/1/2020
		Authorization for NV 2120 effluent disposal	RD N.° 134-2018-ANA-DCERH	23/8/2018
		Authorization for reuse of domestic residual water for irrigation from the Santa Maria Residual Water Treatment Plant.	RD N.° 1809-2017-ANA-AAA.M	28/8/2017
		Septic tanks in camp at level 2,410	RD N.° 2552-2019/DCEA/DIGESA/SA	14/4/2019
		Septic tanks in camp at level 2,520	RD N.° 2550-2019/DCEA/DIGESA/SA	14/4/2019
		Septic tanks in camp at level 2,670	RD N.° 2553-2019/DCEA/DIGESA/SA	14/4/2019
	Direct LPG consumer	Authorization for the bulk LPG facility for direct consumer at Cedro camp site.	RG N.° 13167-2014-OS/OMR III	4/10/2014
		Authorization for the bulk LPG facility for direct consumer at Santa Maria camp site.	RG N.° 13169-2014-OS/OMR III	4/10/2014
	Explosives	Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa blasting accessories	RG N.° 00665-2020-SUCAMEC-GEPP	21/2/2020
		Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa anfo	RG N.° 00782-2020-SUCAMEC-GEPP	21/2/2020
		Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa RG explosives	RG N.° 00781-2020-SUCAMEC-GEPP	21/2/2020
		COM 2019 UEA Libertad	COM 104-2018-C	10/12/2018
		Authorization for purchase and use of explosives and related materials 2020 UEA Libertad	RG N.° 294-2020-SUCAMEC-GEPP	4/2/2020

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
SANTA MARÍA	Landfill	Technical mining report for the modification of the Santa Maria I beneficiation concession to 33.03 Ha and construction and operation permit for the domestic and industrial landfill at Cedro.	RD N.° 1781-2015-MEM/DGM	30/9/2015
		EIA Modification for mining activities and expansion of the Santa Maria I beneficiation plant to 1000 MTPD. Filtering and other components.	RD N.° 011-2017-SENACE-JEF-DEAR	28/11/2017
	Environmental instruments	Detailed Technical Memoir of the Santa Maria 2410, 2520, 2670 Camps. (Order 2504589 dated 06-09-2015).	RD N.° 278-2017-MEM-DGAM	3/10/2017
		First ITS for Santa Maria mining unit (new components and modification)	RD N.° 00077-2019-SENACE-PE-DEAR.2	7/5/2019
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan, Schedule, and Budget update.	RD N.° 102-2018-MEM-DGAAM	17/5/2018
		Second EIA modification of the Santa Maria- Terms of Reference and Preliminary Assessment (EVAP)	RD N.° 00141_2020-SENACE_PE_DEAR.1	19/1/1900
		EIA Palca Explorations Project.	RD N.° 0035-2016-MEM-DGAAM	29/1/2016
Palca	10 l/s water use license for non-agricultural use from the El Carrizal gorge, for non-mining activities at Suyubamba	RA N.° 007-01-DRA-LL-AASC/ATDRH	12/1/2001	
	Water use license from Carrizal gorge and Laguna Negra with mining purposes for Palca Project	RD N.° 1165-2018-ANA-AAA-M	3/9/2018	
	Authorization to start exploration activities	RD N.° 167-2017-MEM-DGM	7/2/2017	

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
PALCA		Certificate of Absence of Archaeologic Remains CIRA 2016-073-DDC-CIB/MC	CIRA SUYUBAMBA-PALCA	7/4/2016
		Certificate of Absence of Archaeologic Remains CIRA 2016-073-DDC-LIB/MC	CIRA LT 22 KV PAMPARACRA-SUYUBAMBA	25/10/2016
MONTAÑITAS		0.10 l/s water use authorization - Montañitas Project -Renewal	RD N.° 784-2017-ANA-AAA-Huallaga	2/11/2017
		Authorization to start exploration activities at Montañitas project.	RD N.° 1782-2015-MEM/DGM	5/10/2015
		Start of exploration operations stage II (platforms 1-7 y 15-17)	Constancia de aprobación automática 0003-2019-DGM	12/3/2019
MISQUICHILCA		DIA approval for Misquichilca exploration activities	R N.° 278-2012-MEM_AAM	3/9/2012
		Authorization for start of exploration at Misquichilca.	RD N.° 107-2013-MEM-DGM	22/4/2013
LAVASEN ENERGY		Studies for electric power generation in Quishuar, Lavasen, Nimpana, Cativen and Piñuto cascades.	RM N.° 144-2008-MEM_DM	14/3/2008
		Hydro energy use of the Lavasen and Lavasen and Quishuar for Cativen I and Cativen II hydroelectric power stations.	RD N.° 188-2011-MEM_AAM	20/6/2011
		Hydrologic and water use study for non-mining purposes from Lavasen Paraiso basins	RD N.° 0250-2011-ANA-AAA VI MARAÑÓN	19/11/2020
		Hydrologic study as part of the water use from Lavasen and Quishuar basins.	RD N.° 0316-2010-ANA-DARH	1/10/2010
		Final concession for energy generation.	RS N.° 109-2012-EM	13/11/2012
Airdrome		Chagual - La Libertad Airdrome operation authorization	RD N.° 894-2019-MTC-12	14/11/2019



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## FINANCIAL STATEMENT



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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

## 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, 2020 and 2019, 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.

Cajpo y Asociados S. Civil de R. L. sociedad peruana de responsabilidad limitada y firma miembro de la organización global KPMG de firma miembro independiente afiliada a KPMG International Limited, una compañía privada registro limitada por garantía. Todos los derechos reservados.

Inscrita en la partida N° 01061295 del Registro de Personas Jurídicas de Lima



### 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, 2020 and 2019, 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 follow by Company in order to translated the separate financial statements for the year ended December 31, 2020 and 2019 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, 2020 and 2019 have been prepared and presented separately; and in our report, dated January 31, 2021, 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, 2020 and 2019, have been prepared and presented separately; and in our report, dated March 6, 2021, 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

April 26, 2021

Countersigned by:

*Cajpo y Asociados*

Juan Carlos Mejia (Partner)  
 Peruvian CPA Registration 25635



(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**  
Separate Statement of Financial Position  
As of December 31, 2020 and 2019

In thousands of U.S. dollars	Note	2020	2019	In thousands of U.S. dollars	Note	2020	2019
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	6	101,018	35,825	Trade accounts payable	15	23,623	21,399
Trade accounts receivable	7	3,528	2,901	Other accounts payable	16	30,332	23,319
Other accounts receivable	8	4,605	7,150	Other financial liabilities	17	18,115	24,879
Inventories	9	13,820	13,371	Lease liabilities	13	2,989	4,559
Prepaid expenses	10	5,380	4,896	Employee benefits	18	14,440	11,460
<b>Total current assets</b>		<b>128,351</b>	<b>64,143</b>	Provisions	19	1,108	768
<b>Non-current assets</b>							
Investments in subsidiaries and associates	11	7,025	7,676	Hedging instruments	21	1,862	870
Prepaid expenses	10	5,632	7,022	Current portion of provision for environmental rehabilitation	20	937	937
Property, plant and equipment	12	184,513	167,422	<b>Total current liabilities</b>		<b>93,416</b>	<b>88,191</b>
Right-of-use assets	13	6,066	12,296	<b>Non-current liabilities</b>			
Intangible assets	14	139,803	160,644	Other accounts payable	16	734	355
<b>Total non-current assets</b>		<b>343,039</b>	<b>355,060</b>	Other financial liabilities	17	11,927	14,364
<b>Total assets</b>							
		<b>471,390</b>	<b>419,203</b>	Lease liabilities	13	3,023	3,241
<b>Liabilities</b>							
<b>Current liabilities</b>							
				Provision for environmental rehabilitation	20	20,433	7,935
				Deferred tax liabilities	22	11,730	13,616
				<b>Total non-current liabilities</b>		<b>47,847</b>	<b>39,511</b>
				<b>Total liabilities</b>		<b>141,263</b>	<b>127,702</b>
<b>Equity</b>							
				Issued capital	23	100,166	109,436
				Other capital reserves	24	20,033	21,887
				Retained earnings	25	209,928	160,178
				<b>Total equity</b>		<b>330,127</b>	<b>291,501</b>
				<b>Total equity and liabilities</b>		<b>471,390</b>	<b>419,203</b>

The accompanying notes on pages 5 to 77 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 Profit or Loss and Other Comprehensive Income  
For the years ended December 31, 2020 and 2019

In thousands of U.S. dollars	Note	2020	2019
Revenue	28	475,189	442,602
Cost of sales	29	(252,544)	(259,825)
<b>Gross profit</b>		<b>222,645</b>	<b>182,777</b>
<b>Operating income (expenses)</b>			
Selling expenses	30	(10,263)	(9,168)
Administrative expenses	31	(36,496)	(34,789)
Other operating income	35	2,221	2,152
Other operating expenses	35	(1,610)	(463)
<b>Operating profit</b>		<b>176,497</b>	<b>140,509</b>
<b>Finance income (borrowing costs)</b>			
Finance income	33	290	377
Borrowing costs	33	(19,253)	(8,202)
<b>Finance cost, net</b>		<b>(18,963)</b>	<b>(7,825)</b>
<b>Profit before tax</b>		<b>157,534</b>	<b>132,684</b>
Tax expense	27	(50,842)	(44,650)
<b>Profit for the period</b>		<b>106,692</b>	<b>88,034</b>
Cummulative traslation adjustment		(22,596)	7,295
<b>Total other comprehensive income</b>		<b>84,096</b>	<b>95,329</b>
<b>Basic earnings per share (in dollars)</b>	34	<b>0.294</b>	<b>0.243</b>

The accompanying notes on pages 5 to 77 are an integral part of these separate financial statements.

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(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, 2020 and 2019

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, 2019	216,000,000	63,924	12,785	154,841	231,550
Profit of the period	-	-	-	88,034	88,034
<b>Total other comprehensive income</b>	-	-	-	<b>88,034</b>	<b>88,034</b>
Dividend distribution	-	-	-	(35,378)	(35,378)
Issuance treasury shares	147,000,000	44,586	-	(44,586)	-
Establishment legal reserve	-	-	8,917	(8,917)	-
<b>Total transactions with stockholders</b>	<b>147,000,000</b>	<b>44,586</b>	<b>8,917</b>	<b>(88,881)</b>	<b>(35,378)</b>
Cummulative translation adjustment	-	976	185	6,184	7,295
<b>Balance as of December 31, 2019</b>	<b>363,000,000</b>	<b>109,436</b>	<b>21,887</b>	<b>160,178</b>	<b>291,501</b>
Balance as of January 1, 2020	-	109,436	21,887	106,692	106,692
Profit of the period	-	-	-	106,692	106,692
<b>Total other comprehensive income</b>	-	-	-	<b>(45,470)</b>	<b>(45,470)</b>
Dividend distribution	-	-	-	(45,470)	(45,470)
<b>Total transactions with stockholders</b>	-	-	-	<b>(45,470)</b>	<b>(45,470)</b>
Cummulative translation adjustment	-	(9,270)	(1,854)	(11,472)	(22,596)
<b>Balance as of December 31, 2020</b>	<b>363,000,000</b>	<b>100,166</b>	<b>20,033</b>	<b>209,928</b>	<b>330,127</b>

The accompanying notes on pages 5 to 77 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, 2020 and 2019

In thousands of U.S. dollars	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit or loss		106,692	88,034
<b>Debit (credit) to non-cash items (profit or loss)</b>			
Depreciation	12 & 13	10,498	9,863
Amortization	14	63,167	51,795
Loss allowance for other accounts receivable	8 & 31	409	1,676
Provision for litigations	19 & 31	440	97
Deferred tax	22	(731)	3,548
Costs of upgrading the provision for mine closure	20 & 33	246	354
Loss on sale of property, plant and equipment	35	1,610	464
Income tax		51,573	41,102
Exchange difference	33	(807)	363
Finance charge, net	33	2,261	1,872
<b>Debit (credit) for net changes in assets and liabilities</b>			
Increase in trade accounts receivable	7	(628)	(997)
Decrease (increase) in other accounts receivable	8	2,546	3,684
Increase in inventories	9	(449)	(2,254)
Increase in prepaid expenses	10	906	(5,453)
Increase in trade accounts payable	15	2,224	562
Increase in other accounts payable		8,794	8,259
Cash paid for liabilities for mine closure	20	(107)	(429)
Cash flows from operating activities		248,644	202,540
Cash paid for interest		(2,202)	(2,209)
Cash paid for income tax		(46,128)	(38,701)
<b>Net cash from operating activities</b>		<b>200,314</b>	<b>161,630</b>
<b>Cash flows from investing activities</b>			
Cash receipts for sale of property, plant and equipment		-	8
Cash paid for share purchase	11	-	(6,750)
Acquisition of intangible assets	14	(52,247)	(78,779)
Acquisition of property, plant and equipment	12 & 13	(24,455)	(29,439)
<b>Net cash used in investing activities</b>		<b>(76,702)</b>	<b>(114,960)</b>
<b>Cash flows from financing activities</b>			
Loans received	17	29,000	12,000
Cash paid for short-term loans	17	(11,500)	(2,422)
Cash paid for long-term loans	17	(26,455)	(9,545)
Cash paid for finance leases	13 & 17	(4,801)	(5,627)
Cash paid for dividends	17	(45,470)	(34,933)
<b>Net cash used in financing activities</b>		<b>(59,226)</b>	<b>(40,527)</b>
Net increase in cash and cash equivalents		64,386	6,143
Cash and cash equivalents at the beginning of the year	6	35,825	30,087
Effects of changes in exchange rates on cash held		807	(405)
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>101,018</b>	<b>35,825</b>
<b>Non-cash transactions</b>			
Increase (decrease) in costs for mine closure		13,112	(320)
Increase (decrease) in liabilities for mine closure		(13,112)	320
Increase in right-of-use assets	13i. & 17	1,172	7,597
Acquisition of fixed assets		(79,953)	-

The accompanying notes on pages 5 to 77 are an integral part of these separate financial statements.

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(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
As of December 31, 2020 and 2019

## 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 entered into a contract for the refining and sale of gold and silver with Asahi Refining Canada Ltd. It also entered into a contract for the sale of ounces of fine gold and silver with Scotiabank New York. In April 2020, Scotiabank New York closed its metal business. Thus, since May, only the contract for the refining and sale of gold and silver entered into with Asahi Refining Canada Ltd. is effective. The contract entered into with Asahi Refining Canada Ltd. sets forth the sale terms and conditions, quality of metals, contractual 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, 2020 have been issued with management approval on January 31, 2021, and will be 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 March 10, 2020, approved the separate financial statements as of December 31, 2019.

## 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, 2020.

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.

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
As of December 31, 2020 and 2019

### 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.

### 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, 2020 and 2019, were translated at the exchange rate at closing date. The equity presented as of December 31, 2020 and 2019 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, 2020 and 2019, 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, 2020 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.

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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.

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.

(Translation of Financial Statements originally issued in Spanish)

**Compañía Minera Poderosa S.A.**

Notes to the Separate Financial Statements  
As of December 31, 2020 and 2019

**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).

**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 hedging 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.

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**Compañía Minera Poderosa S.A.**  
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As of December 31, 2020 and 2019

**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.

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.

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

**Compañía Minera Poderosa S.A.**  
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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.

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.

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**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, 2020, and 2019, 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.

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**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.

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**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.

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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, 2020 and 2019, 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.

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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).

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**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.

**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.

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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.

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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 calculated using the liability method. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences—i.e., differences between the carrying amount of an asset or liability in the separate statement of financial position and its tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

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.

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## 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 recognize 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

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- 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.

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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).

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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.

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**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

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- 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).

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**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, 2020 and 2019, 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).

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**X. Reclassifications**

The Company reclassified certain 2019 items in order to follow the presentation structure established in the current period. In management's opinion, such reclassifications do not require any changes in the decisions made. The amounts reclassified and accounts affected are the following:

**Separate statement of profit or loss and other comprehensive income**

<i>In thousands of U.S. dollars</i>	<b>2019</b>	<b>Reclassifications</b>	<b>2019</b>
Revenue (a)	434,524	8,078	442,602
Cost of sales	(259,825)	-	(259,825)
<b>Gross profit</b>	<b>174,699</b>	<b>8,078</b>	<b>182,777</b>
<b>Operating income (expenses)</b>			
Selling expenses	(1,090)	(8,078)	(9,168)
Administrative expenses	(34,789)	-	(34,789)
Other operating income	2,152	-	2,152
Other operating expenses	(463)	-	(463)
<b>Operating profit</b>	<b>140,509</b>	<b>-</b>	<b>140,509</b>
<b>Finance income (borrowing costs)</b>			
Finance income	377	-	377
Borrowing costs	(8,202)	-	(8,202)
<b>Finance charge, net</b>	<b>(7,825)</b>	<b>-</b>	<b>(7,825)</b>
Profit before tax	132,684	-	132,684
Tax expense	(44,650)	-	(44,650)
<b>Profit or loss</b>	<b>88,034</b>	<b>-</b>	<b>88,034</b>

(a) It corresponds to the reclassification of remuneration paid to holders of mining concessions for presentation purposes according to the nature of the transaction.

**Y. New amendments to IFRSs of mandatory application for periods beginning on or after January 1, 2020**

The application of the following amendments to IFRSs is mandatory for the first time for annual periods beginning on or after January 1, 2020.

<b>New IFRSs, amendments and interpretations</b>	<b>Effective date</b>
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	
<i>Definition of Material</i> (Amendments to IAS 1 and IAS 8)	
<i>Definition of a Business</i> (Amendments to IFRS 3)	January 1, 2020
<i>Interest Rate Benchmark Reform</i> (Amendments to IFRS 9, IAS 39 and IFRS 7)	
<i>Extension of the Temporary Exemption from Applying IFRS 9</i> (Amendments to IFRS 4)	

The Company adopted these amendments, which had no significant effect on the separate financial statements as of December 31, 2020.

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The following is applicable to annual periods beginning on or after June 1, 2020, and early adoption is permitted:

- COVID-19-Related Rent Concessions (Amendments to IFRS 16)

#### Z. 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.

New IFRSs, amendments and interpretations	Effective date
<b>New IFRSs</b>	
IFRS 17 <i>Insurance Contracts</i>	Annual periods beginning on or after January 1, 2023. This date includes the exemption from applying IFRS 9 for insurers, permitting them to apply IFRS 9 and IFRS 17 at the same time. Early adoption is permitted for entities applying IFRS 9 and IFRS 15 on or before that date.
<b>Amendments to IFRSs</b>	
<i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022 to existing contracts on the adoption date. Early adoption is permitted.
<i>Annual Improvements to IFRS Standards 2018-2020</i>	
<i>Property, Plant and Equipment – Proceeds before Intended Use</i> (Amendments to IAS 16)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)	
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	
<i>Interest Rate Benchmark Reform – Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

#### 4. COVID-19

On March 15, 2020, the Peruvian government declared a national state of emergency and implemented various measures—e.g., cessation of classroom activities, closure of borders, 15-day quarantine (the state of emergency was extended until September 30), business closure, except for those rendering essential services—to prevent the spread of COVID-19 and ensure access to health services.

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After several months of full cessation of activities in various businesses, the Peruvian government decreed the gradual resumption of economic activities to mitigate the economic effects of COVID-19 containment measures. This economic recovery was divided into 4 stages that will be continuously evaluated by the relevant authorities. The first stage began in May through the resumption of 27 economic activities related to the mining, industrial, construction, service, consumer goods and business sectors.

Under government provisions and in resuming the Company's economic activities, the Board of Directors approved in May: (i) guidance for medical surveillance of workers at risk of COVID-19 infection and (ii) COVID-19 technical guidance for infection prevention and control establishing procedures for undertaking testing for SARS-CoV-2. The implementation of such measures increased the Company's costs due to the acquisition of masks, molecular tests, antigen tests, laboratory-related expenses, transportation expenses, lodging expenses, food expenses cleaning and disinfecting products and construction of new camps to maintain social distance between personnel in the mines according to the COVID-19 technical guidance. Likewise, the Company made various donations to organizations for COVID-19 response.

The Peruvian government also launched a credit guarantee scheme (loans granted by financial institutions) to ensure that the chain of payments is not interrupted. The Company did not request access to government grants during the state of emergency.

#### 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.

Foreign currency balances are as follows:

In thousands of soles	2020	2019
<b>Assets</b>		
Cash and cash equivalents	25,114	4,748
Other accounts receivable	13,825	4,828
	<b>38,939</b>	<b>9,576</b>
<b>Liabilities</b>		
Trade accounts payable	(39,331)	(10,328)
Other accounts payable	(75,425)	(35,084)
	<b>(114,755)</b>	<b>(45,412)</b>
<b>Net liabilities</b>	<b>(75,816)</b>	<b>(35,836)</b>

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As of December 31, 2020, 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/ 3.624 per US\$ 1 for assets and liabilities (2019: S/ 3.317 per US\$ 1 for assets and liabilities).

**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, 2020 and 2019, fixed and variable rate instruments held by the Company are the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Fixed-rate instruments</b>			
Time deposits	6	55,379	24,091
Other financial liabilities		(30,041)	(39,243)
		<b>25,338</b>	<b>(15,152)</b>

**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.

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If, as of December 31, 2020 and 2019, 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:

<i>In thousands of U.S. dollars</i>	<b>Increase/decrease in price</b>	<b>Effects on profit (loss) before tax</b>
2020	10%	47,519
	(10%)	(47,519)
2019	10%	44,260
	(10%)	(44,260)

**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.

**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:

<i>In thousands of U.S. dollars</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>More than 2 years</b>
<b>2020</b>					
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	-
Hedging instruments	1,862	1,862	1,862	-	-
Trade accounts payable	23,623	23,623	23,623	-	-
	<b>108,080</b>	<b>109,004</b>	<b>93,454</b>	<b>7,556</b>	<b>7,994</b>
<b>2019</b>					
Other financial liabilities	39,243	40,504	25,700	10,488	4,316
Other accounts payable	24,370	24,370	24,370	-	-
Employee benefits	11,460	11,460	11,460	-	-
Lease liabilities	7,800	8,091	4,747	2,231	1,113
Hedging instruments	870	870	870	-	-
Trade accounts payable	21,399	21,399	21,399	-	-
	<b>105,142</b>	<b>106,694</b>	<b>88,546</b>	<b>12,719</b>	<b>5,429</b>

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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, 2020 and 2019, 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.

As of December 31, 2020 and 2019, the debt-to-equity ratios were as follows:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Trade accounts payable	15	23,623	21,399
Other accounts payable	16	31,066	23,674
Hedging instruments	21	1,862	870
Other financial liabilities	17	30,042	39,243
Lease liabilities	13v.	6,022	7,800
Employee benefits	18	14,440	11,460
Provisions	19	1,108	768
Provision for environmental rehabilitation	20	21,370	8,872
Deferred tax liabilities	22	11,730	13,616
Less: Cash and cash equivalents	6	(101,018)	(35,825)
<b>Net debt</b>		<b>40,245</b>	<b>91,877</b>
<b>Total equity</b>		<b>330,127</b>	<b>291,501</b>
<b>Debt-to-equity ratio</b>		<b>0.12</b>	<b>0.32</b>

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**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.

<i>In thousands of U.S. dollars</i>	<i>Note</i>	Carrying amount			Fair value	
		Fair value – hedging instruments	Loans and accounts receivable	Other financial liabilities	Level 2	Total
<b>As of December 31, 2020</b>						
<b>Financial assets measured at fair value</b>						
Hedging instruments	8	-	-	-	-	-
<b>Financial liabilities measured at fair value</b>						
Hedging instruments	21	1,862	-	-	1,862	1,862
		<b>1,862</b>	-	-	<b>1,862</b>	<b>1,862</b>
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	6	-	101,018	-	-	-
Trade accounts receivable	7	-	3,528	-	-	-
Other accounts receivable (a)	8	-	4,605	-	-	-
		-	<b>109,151</b>	-	<b>109,151</b>	-
<b>Financial liabilities not measured at fair value</b>						
Other financial liabilities	17	-	-	30,042	30,042	30,736
Trade accounts payable	15	-	-	23,623	23,623	-
Other accounts payable (b)	16	-	-	31,067	31,067	-
		-	-	<b>84,732</b>	<b>84,732</b>	<b>30,736</b>

(a) Excluding tax benefits and restricted funds.

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

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In thousands of U.S. dollars	Note	Carrying amount			Fair value		
		Fair value – hedging instruments	Loans and accounts receivable	Other financial liabilities	Level 1	Level 2	Total
<b>As of December 31, 2019</b>							
Financial assets measured at fair value							
Hedging instruments	8	24	-	-	24	24	24
		24	-	-	24	24	24
<b>Financial liabilities measured at fair value</b>							
Hedging instruments	21	870	-	-	870	870	870
		870	-	-	870	870	870
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	6	-	35,825	-	35,825	-	-
Trade accounts receivable	7	-	2,901	-	2,901	-	-
Other accounts receivable (a)	8	-	7,127	-	7,127	-	-
		-	45,853	-	45,853	-	-
<b>Financial liabilities not measured at fair value</b>							
Other financial liabilities	17	-	-	39,243	39,243	40,504	40,504
Trade accounts payable	15	-	-	21,399	21,399	-	-
Other accounts payable (b)	16	-	-	18,501	18,501	-	-
		-	-	79,143	79,143	40,504	40,504

(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.

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#### Financial liabilities measured at fair value

The following provides information on the inputs used to measure the fair value of financial instruments and financial liabilities. The inputs to valuation techniques used to measure fair value are categorized into 3 levels within a fair value hierarchy. Those levels are the following:

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.

#### 6. Cash and Cash Equivalents

This caption comprises the following:

In thousands of U.S. dollars	Note	2020	2019
Cash on hand and petty cash fund		9	73
Current accounts		45,630	11,661
Time deposits	5.B	55,379	24,091
	5.G	101,018	35,825

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

As of December 31, 2020, the Company has checking accounts at tier 1 local and foreign financial institutions in local and foreign currency for S/ 20,085 thousand and US\$ 40,088 thousand, respectively (2019: S/ 7,999 thousand and US\$ 9,250 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, 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 0.33% in U.S. dollars, respectively. As of December 31, 2019, time deposits were stated in S/ 7,600 thousand and US\$ 21,800 thousand. Such time deposits accrued interest at effective interest rates of 3.85% in soles, and between 2.70% and 1.65% in U.S. dollars, respectively.

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	2020	2019
<b>Bank deposits</b>		
A+	100,797	35,641
A	212	111
	101,009	35,752

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.

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After applying IFRS 9, the Company did not recognize any loss allowance as of December 31, 2020 and 2019, respectively.

**7. Trade Accounts Receivable**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Invoices receivable – overseas	28	3,528	2,901
<b>Total trade accounts receivable</b>		<b>3,528</b>	<b>2,901</b>

**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.

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, 2020, the embedded derivative from changes in the quoted prices established in the contracts for sale of gold amounts to US\$ 22 thousand (2019: US\$ 99 thousand).

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

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
<b>Aging of accounts receivable</b>		
Current	3,528	2,901
<b>Classification of borrowers</b>		
Group 2	3,528	2,901

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, 2020 and 2019. It also considers that it adequately hedges the credit risk of these items as of those dates (note 5.D).

**8. Other Accounts Receivable**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Sales tax (a)		492	2,592
Tax claims (b)		1,240	498
Derivative instruments	5.G	-	24
Advances to contractors		-	389
Accounts receivable from personnel		469	855
Other accounts receivable from contractors		444	779
Sale of materials to artisanal miners		294	394
Works for taxes scheme – Regional Government of La Libertad (c)		795	1,357
Accounts receivable from contractors (d)		823	-
Others		48	262
		<b>4,605</b>	<b>7,150</b>

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**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.
- (b) It corresponds to claims to the Tax Authorities regarding a reimbursement of the credit balance of the exporter for US\$ 1,021 thousand (2019: US\$ 498 thousand) and improper payment of the special mining tax for US\$ 219 thousand. These amounts were recovered through non-negotiable instruments (checks) during January 2021 and 2020, respectively.
- (c) It corresponds to expenses to finance and build infrastructure assets, which represent a tax advance.

In 2020, the COVID-19 pandemic had an impact on project schedule. Therefore, the completion of the project "Establishment of a Municipal Library in the Patata community" was delayed and will be completed in February 2021.

On March 15, 2020, the groundbreaking ceremony of the project of rural electrification assets in the District of Pías was celebrated; however, the construction activities were suspended until the resumption of economic activities. Accordingly, the project execution began in September 2020 and will be completed in January 2021, thus the project delivery is pending by Hidrandina S.A. and governmental agency. In September 2020, the pre-investment studies were performed for the project "Improvement of sanitation services to 5 towns of the District of Tayabamba, Province of Patata." The contract will be executed in May 2021 for the preparation of the technical file and project execution. It will be completed in September 2022.

In 2019, the project "Improvement of water and sanitation services to the Alisos, Campamento, Pueblo Nuevo, Santa María, Patata, San Fernando and Vista Florida communities" in the District Municipality of Patata continued. In addition, the project "Establishment of a Municipal Library in the Patata community" will be completed in March 2020.

- (d) It corresponds to payments made by the Company on behalf of contractors for COVID-19 related purchases (note 4)—e.g., molecular tests, masks, laboratory-related expenses, among others—, subject to a monthly installment payment plan with a maximum term of 12 months.

As of December 31, 2020, the Company recognized a loss allowance for US\$ 398 thousand.

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Movement in the loss allowance is the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Closing balance		3,007	1,934
Provisions made during the year	31	409	1,633
Recovery of accounts receivable		(225)	-
Effect of exchange rate		(271)	(560)
<b>Closing balance</b>		<b>2,920</b>	<b>3,007</b>

### 9. Inventories

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Finished goods	29	7,107	7,085
Work-in-progress	29	198	253
Supplies		6,388	5,703
Goods in transit		351	339
Effect of exchange rates		(224)	(9)
		<b>13,820</b>	<b>13,371</b>

### See accounting policy in note 3.C.

As of December 31, 2020, finished goods comprise 7,514 ounces of gold with a market price of US\$ 1,852 per ounce (2019: 8,361 ounces of gold with a market price of US\$ 1,583 per ounce).

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:

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
Advance of countervailing duties (a)	7,077	8,562
Licenses	208	1
Prepaid leases	101	142
Prepaid insurance contracts (b)	3,052	2,375
Option premiums	49	443
Other expenses	525	395
<b>Total prepaid expenses</b>	<b>11,012</b>	<b>11,918</b>
<b>Current portion</b>	<b>5,380</b>	<b>4,896</b>
<b>Non-current portion (a)</b>	<b>5,632</b>	<b>7,022</b>

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- (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 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. The payment obligation arising at the execution date, measured at present value, was recorded in 'other accounts payable' under 'provision for countervailing duties' for US\$ 240 thousand (note 16).

The Company made a prepayment on January 30, 2019 for US\$ 5,000 thousand for a mining concession agreement on countervailing duties. Such amount will be deducted from future royalty payments for production and sale of gold ore.

- (b) The renewal of the insurance contract entered into with Rimac Seguros y Reaseguros was agreed on October 30, 2020, with maturity on January 31, 2022.

### 11. Investments in Subsidiaries and Associates

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Main business</i>	<i>Investment in a subsidiary and associate (%)</i>	<b>2020</b>	<b>2019</b>
<b>Associates</b>				
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
<b>Subsidiaries</b>				
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			(626)	25
			<b>7,025</b>	<b>7,676</b>

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

As of December 31, 2020 and 2019, 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, 2020, 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 Company holds 99.99% of shares of its capital. Also, the Company controls such entity since June 11, 2019. The subsidiary was incorporated on September 18, 2012 in Peru. Its legal domicile is located at Avenida Primavera No. 834, Chacarilla del Estanque, Santiago de Surco, Peru.

As of December 31, 2020 and 2019, investments in subsidiaries and associates are measured at cost and there is no indication of impairment.

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**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, 2020 and 2019 is the following:

	Land	Buildings, constructions and premises	Machinery and equipment	Vehicles	Furniture and fixtures	Various equipment	Replacement parts	Work-in-progress	Environmental rehabilitation upon mine closure	Cleaning
<b>Year 2020</b>										
<b>Costs</b>										
Balance as of January 1, 2020	10,888	107,181	72,230	1,079	1,555	7,170	1,352	54,982	13,741	270,188
Additions	325	9,693	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	-	(7,326)	-	-	(139)	2,035	(6,877)	(14,690)	-	(21,567)
Effect of exchange rate	(942)	(7,326)	3,573	27	(139)	2,035	(100)	(2,795)	(1,164)	(6,631)
<b>Balance as of December 31, 2020</b>	<b>10,281</b>	<b>107,908</b>	<b>71,357</b>	<b>544</b>	<b>2,307</b>	<b>7,835</b>	<b>3,564</b>	<b>53,306</b>	<b>25,689</b>	<b>282,791</b>
<b>Accumulated depreciation</b>										
Balance as of January 1, 2020	-	(41,678)	(45,305)	(798)	(630)	(3,443)	-	-	(10,544)	(102,766)
Additions	-	(5,123)	(3,239)	(34)	(11)	47	-	-	(436)	(7,103)
Disposals	-	1,038	5,251	530	47	238	-	-	32	7,103
Others	-	-	-	-	-	-	-	-	-	-
Effect of exchange rate	-	4,110	3,053	(36)	68	212	-	-	907	8,314
<b>Balance as of December 31, 2020</b>	<b>-</b>	<b>(42,233)</b>	<b>(41,030)</b>	<b>(345)</b>	<b>(798)</b>	<b>(3,831)</b>	<b>-</b>	<b>(10,041)</b>	<b>(9,627)</b>	<b>(88,278)</b>
<b>Net carrying amount at the end of the year</b>	<b>10,281</b>	<b>65,675</b>	<b>30,327</b>	<b>199</b>	<b>1,509</b>	<b>4,004</b>	<b>3,564</b>	<b>53,306</b>	<b>15,648</b>	<b>184,513</b>
<b>Year 2019</b>										
<b>Costs</b>										
Balance as of January 1, 2019	9,980	96,351	70,721	1,472	1,303	8,391	6,869	45,266	13,804	254,157
Effects of IFRS 16 – changes in accounting policies	-	(1,362)	(3,280)	-	(3)	(2,984)	-	-	-	(7,329)
Additions	-	-	-	-	-	-	1,821	19,831	(319)	21,333
Disposals	-	-	(2,645)	(633)	(15)	(88)	-	-	-	(3,381)
Transfers	731	10,485	5,964	135	241	1,364	(7,730)	(11,190)	-	5,408
Effect of exchange rate	(131)	(7,077)	1,770	33	23	(57)	-	1,133	256	-
<b>Balance as of December 31, 2019</b>	<b>10,588</b>	<b>107,181</b>	<b>72,230</b>	<b>1,079</b>	<b>1,555</b>	<b>7,170</b>	<b>1,352</b>	<b>54,982</b>	<b>13,741</b>	<b>270,188</b>
<b>Accumulated depreciation</b>										
Balance as of January 1, 2019	-	(34,321)	(44,200)	(1,240)	(734)	(3,983)	-	-	(10,000)	(84,478)
Effects of IFRS 16 – changes in accounting policies	-	771	14	-	1,087	(619)	-	-	(392)	1,872
Additions	-	(5,096)	(3,696)	(75)	(90)	(619)	-	-	-	(9,968)
Disposals	-	-	2,249	579	12	79	-	-	-	3,058
Effect of exchange rate	-	(3,232)	328	(60)	12	(7)	-	-	(291)	(3,250)
<b>Balance as of December 31, 2019</b>	<b>-</b>	<b>(41,878)</b>	<b>(45,305)</b>	<b>(80)</b>	<b>(800)</b>	<b>(3,443)</b>	<b>-</b>	<b>(10,544)</b>	<b>(102,766)</b>	<b>(102,766)</b>
<b>Net carrying amount at the end of the year</b>	<b>10,588</b>	<b>65,303</b>	<b>26,925</b>	<b>283</b>	<b>755</b>	<b>3,727</b>	<b>1,352</b>	<b>54,982</b>	<b>3,197</b>	<b>167,422</b>

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Depreciation charge for the years ended December 31, 2020 and 2019 was allocated as follows:

<i>In thousands of U.S. dollars</i>	Note	2020	2019
<b>Separate statement of profit or loss and other comprehensive income</b>			
Cost of sales	29	8,752	7,644
Provision for environmental rehabilitation	29	436	392
Administrative expenses	31	324	234
Selling expenses	30	-	1
		<b>9,512</b>	<b>8,271</b>
<b>Separate statement of financial position</b>			
Intangible assets	14	1,359	1,610
Work-in-progress		92	87
		<b>1,451</b>	<b>1,697</b>
		<b>10,963</b>	<b>9,968</b>

As of December 31, 2020 and 2019, management performed an impairment test of the recoverable amount of its items of property, plant and equipment by discounting the future cash flows in soles expected to be derived from such assets. According to the impairment tests performed as of those dates, the Company is not required to record any impairment loss on long-lived assets.

As a guarantee given as collateral for loans from Scotiabank Perú S.A.A. (note 17), the Company granted a guarantee trust on various machinery and equipment that are part of the Santa María I Processing Plant for US\$ 3,012 thousand.

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 MTD each).

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As of December 31, 2020 and 2019, work-in-progress comprises the following:

<i>In thousands of U.S. dollars</i>	2020	2019
Lavassen project	14,500	14,179
Extension of the santa maria plant to 1000 tmsd	5,983	5,262
Nimpana hydroelectric plant	5,287	3,579
138kv transmission line	4,628	4,401
Construction trocha accesses ch nimpana	2,982	2,982
Hydraulic filler plant	2,615	2,215
Chunturco dismantling tank	1,229	21
Construction of polvorin nv 2360 - sta maria	952	878
Construction new central warehouse sta maria	820	686
Construction of dining room and entertainment center nv.2260 sm	672	380
Employee n ° 4 hotel construction santa maria	655	28
Construction of prefabricated module workers 01 nv 2500	647	-
Expansion of electrical networks u.p. santa maria 2020	597	-
Revolcadero extraction tunnel	593	-
Tailings deposit filtered in the livias greek - stage iii	588	-
Construction of prefabricated module workers 02 nv 2410	569	-
Reactive compensation s.e. lpc i, 5.4 mvar 25 kv	567	102
Infrastructure for transmission line se lpc i - se chacparrosas	529	142
Construction hotel obreros nv 3100	510	209
Construction prefabricated module workers 03 nv 2410	459	-
Expansion of electrical networks u.p. cashew 2020	454	-
Modification of the eia up marañon (new components)	442	428
Construction of prefabricated module employees 01 hualanga	404	-
Revolcadero dismantling tank	375	-
Zarumilla dismantling tank project	373	-
Construction prefabricated module workers 02 hualanga	365	-
Construction of prefabricated module workers 03 hualanga	352	-
Assembly and implementation 16 camp igloos sta maria - rrrh	352	-
SM drinking water treatment plant project	345	-
Construction of water dam in quebrada poblano-sm	332	332
Construction and implementation of prefabricated module seg patrimonial nv 3100	327	-
Construction of prefabricated module employees 04 hualanga	324	-
Temporary hydraulic filling plant	315	315
Lower amounts in US\$ 300 thousand	3,164	18,843
	<b>53,306</b>	<b>54,982</b>

As of December 31, 2020, transfers of work-in-progress for US\$ 14,690 thousand correspond to the Lavassen Hydroelectric Project, Expansion of the Santa Maria I Processing Plant to 1000 DMTD, Nimpana Hydroelectric Station, 138 kV transmission lines, Construction of an access road to Nimpana Hydroelectric Station, Hydraulic Backfill Plant, Construction of the Chunturco Waste Rock Dump, Construction of a powder magazine at LVL-2360 in the Santa Maria Production Unit, Construction of a new storage facility in the Santa Maria Production Unit, Construction of prefabricated accommodation units for workers 1 at LVL-2500, Construction of a hotel for workers 4 in the Santa Maria Production Unit, and Construction of a cafeteria and a recreation center at LVL-2260 in the Santa Maria Production Unit.

The Lavassen 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, 2020, 'other minor projects' are ongoing projects that will be completed between years 2022 and 2023.

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As of December 31, 2020, 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.

### 13. Leases

The Company has leases for land, property, machinery and equipment used in its activities. Leases generally have a term of 2 to 5 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:

<i>In thousands of U.S. dollars</i>	Land	Premises	Machinery	Various equipment	Total
<b>2020</b>					
Costs					
Opening balance	22	2,821	9,302	2,129	14,274
Additions	-	42	974	244	1,260
Transfers and changes (a)	-	(1,016)	(4,551)	(205)	(5,772)
Disposals	-	(1,138)	-	(572)	(1,710)
Effect of exchange rate	(2)	5	(398)	(130)	(525)
	<b>20</b>	<b>714</b>	<b>5,327</b>	<b>1,466</b>	<b>7,527</b>
Depreciation					
Opening balance	(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
	<b>(2)</b>	<b>(45)</b>	<b>(776)</b>	<b>(638)</b>	<b>(1,461)</b>
<b>Right-of-use assets</b>	<b>18</b>	<b>669</b>	<b>4,551</b>	<b>828</b>	<b>6,066</b>
<b>2019</b>					
Opening balance	0	840	3,593	1,554	5,987
Additions	21	1,374	5,661	541	7,597
Changes (a)	0	593	0	0	593
Depreciation charge	(1)	(594)	(644)	(739)	(1,978)
Effect of exchange rate	1	14	48	34	97
	<b>21</b>	<b>2,227</b>	<b>8,658</b>	<b>1,390</b>	<b>12,296</b>

(a) It corresponds to transfers to own assets and changes to the lease payments of properties used as administrative offices and parking lots.

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Depreciation charge for the years ended December 31, 2020 and 2019 was allocated as follows:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Separate statement of profit or loss and other comprehensive income</b>			
Cost of sales	29	297	810
Administrative expenses	31	689	772
Selling expenses	30	-	10
		<b>986</b>	<b>1,592</b>
<b>Separate statement of financial position</b>			
Intangible assets	14	192	384
Work-in-progress		-	2
		<b>192</b>	<b>386</b>
		<b>1,178</b>	<b>1,978</b>

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

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
Depreciation charge for right-of-use assets	1,178	1,978
Interest expense for lease liabilities	140	218
Expense relating to short-term leases	-	1,787
Expense relating to leases of low-value assets, excluding expense relating to short-term leases of low-value assets	-	6
<b>Total amounts recognized in profit or loss</b>	<b>1,318</b>	<b>3,989</b>

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

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	17	(4,801)	(5,628)

**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.

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**v. Lease liabilities**

The carrying amount of lease liabilities is as follows:

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
Opening balance	7,800	9,621
Additions	3,036	3,946
Accrued interest	232	218
Lease payments	(4,801)	(5,628)
Decrease in liabilities	(232)	-
Exchange difference	(13)	(357)
	<b>6,022</b>	<b>7,800</b>
<b>Current portion</b>	<b>2,999</b>	<b>4,559</b>
<b>Non-current portion</b>	<b>3,023</b>	<b>3,241</b>



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The terms and conditions of leases are as follows:

Creditor	In thousands of U.S. dollars	Type of liability	Original currency	Nominal interest rate	Maturity date	Total		Current portion		Non-current portion	
						2020	2019	2020	2019	2020	2019
Scotiabank Perú S.A.A.	USD	Finance lease	USD		3/5/2021	28	138	28	110	-	28
Scotiabank Perú S.A.A.	USD	Finance lease	USD		6/12/2023	480	662	187	182	293	480
Scotiabank Perú S.A.A.	USD	Finance lease	USD		1/2/2023	441	625	208	184	233	441
Scotiabank Perú S.A.A.	USD	Finance lease	USD		9/29/2023	440	-	155	-	285	-
Scotiabank Perú S.A.A.	USD	Finance lease	USD		11/1/2023	1,376	-	478	-	898	-
BBVA Banco Continental S.A.	USD	Finance lease	USD		9/6/2022	396	610	223	214	173	396
BBVA Banco Continental S.A.	USD	Finance lease	USD		12/30/2022	363	535	178	172	185	363
Banco Santander Perú S.A.	USD	Finance lease	USD		2/17/2021	18	136	18	118	-	18
Banco Santander Perú S.A.	USD	Finance lease	USD		2/24/2021	48	350	48	302	-	48
Banco Santander Perú S.A.	USD	Finance lease	USD		12/18/2022	733	-	362	-	371	-
Banco de Crédito del Perú S.A.	USD	Finance lease	USD		3/1/2021	49	144	49	95	-	49
Banco de Crédito del Perú S.A.	USD	Finance lease	USD		2/1/2022	388	721	331	333	57	388
Banco de Crédito del Perú S.A.	USD	Finance lease	USD		9/1/2022	478	733	268	255	210	478
Banco de Crédito del Perú S.A.	USD	Finance lease	USD		8/2/2021	86	293	86	207	-	86
<b>Total finance leases</b>						<b>5,324</b>	<b>4,947</b>	<b>2,619</b>	<b>2,172</b>	<b>2,705</b>	<b>2,775</b>
Lease liabilities (IFRS 16)			PEN			698	2,853	380	2,387	318	466
<b>Total leases</b>						<b>6,022</b>	<b>7,800</b>	<b>3,000</b>	<b>4,559</b>	<b>3,023</b>	<b>3,241</b>

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As of December 31, 2020 and 2019, 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, 2020 and 2019 is the following:

In thousands of U.S. dollars	Note	Mining concessions and rights	Exploration and development expenses	Computer applications	Closing balance
<b>Year 2020</b>					
<b>Costs</b>					
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)
<b>As of December 31, 2020</b>		<b>30,892</b>	<b>535,099</b>	<b>216</b>	<b>566,207</b>
<b>Amortization</b>					
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
<b>As of December 31, 2020</b>		<b>(24,463)</b>	<b>(401,833)</b>	<b>(108)</b>	<b>(426,404)</b>
<b>Net carrying amount at the end of the year</b>		<b>6,429</b>	<b>133,266</b>	<b>108</b>	<b>139,803</b>
<b>Year 2019</b>					
<b>Costs</b>					
Opening balance		28,127	447,415	-	475,542
Additions		1,762	77,017	-	78,779
Effect of exchange rate		516	8,881	-	9,397
<b>As of December 31, 2019</b>		<b>30,405</b>	<b>533,313</b>	<b>-</b>	<b>563,718</b>
<b>Amortization</b>					
Opening balance		(22,510)	(322,711)	-	(345,221)
Additions	29	(1,775)	(50,020)	-	(51,795)
Effect of exchange rate		(390)	(5,668)	-	(6,058)
<b>As of December 31, 2019</b>		<b>(24,675)</b>	<b>(378,399)</b>	<b>-</b>	<b>(403,074)</b>
<b>Net carrying amount at the end of the year</b>		<b>5,730</b>	<b>154,914</b>	<b>-</b>	<b>160,644</b>

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

In 2020, additions to 'exploration and development expenses' comprise depreciation charge of machinery and vehicles for US\$ 1,359 thousand (2019: US\$ 1,994 thousand) (note 12). Additionally, it comprises employees' profit sharing related to the exploration and development activities for US\$ 3,350 thousand (2019: US\$ 2,960 thousand) (note 26).

As a guarantee given as collateral for loans granted by Scotiabank Perú S.A.A. in September 2012, the Company entered into a trust agreement (effective for the years 2020 and 2021) on 3 mining concessions for US\$ 64,351 thousand.

Amortization charge for the years ended December 31, 2020 and 2019 was allocated to production costs (note 29).

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### 15. Trade Accounts Payable

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Invoices	5.F	23,623	21,399

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

As of December 31, 2020, it comprises debt factoring and reverse factoring for US\$ 3,169 thousand (2019: US\$ 3,470 thousand).

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

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

### 16. Other Accounts Payable

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Other taxes and contributions (a)		6,174	2,534
Related parties (d)		6,211	3,953
Countervailing duties payable (b)		1,980	1,428
Other accounts payable to related parties (d)		88	47
Artisanal miners		1,438	2,176
Cash withheld – Contractors		4,923	5,469
Mining contractors		1,300	2,730
Mining royalties – Law 28258	27.C	1,608	1,323
Electric power – Hidrandina S.A.		493	457
Special mining tax – Law 29789	27.C	1,591	1,316
Insurance contracts (c)		2,821	237
Purchase of unbilled materials		983	691
Other		1,456	1,313
<b>Total accounts payable</b>	5.C	<b>31,066</b>	<b>23,674</b>
<b>Less: Current portion</b>		<b>30,332</b>	<b>23,319</b>
<b>Non-current portion</b>		<b>734</b>	<b>355</b>

- (a) It corresponds to a further income tax determination as a result of an increase in production.
- (b) As of December 31, 2020, it comprises countervailing duties payable in favor of the holder of a mining concession for US\$ 240 thousand (2019: US\$ 719 thousand). The amount of the obligation at the execution date of the contract (note 10) was US\$ 3,621 thousand and the remaining balance was US\$ 1,740 thousand (2019: US\$ 708 thousand), which corresponds to other holders of mining concessions.

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- (c) It corresponds to the renewal of the Company's property insurance contract with a 15-month term. This renewal was made in October 2020 and includes the period from November 2020 to January 2022. As of December 31, 2019, the balance corresponds to the insurance contract in force from July 2019 to October 2020.

- (d) 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, 2020 and 2019, they received remunerations and other benefits:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Key management personnel		2,958	2,756
Board of Directors	32	9,679	8,377
		<b>12,637</b>	<b>11,133</b>

As of December 31, 2020, the outstanding balance amounts to US\$ 6,210 (2019: US\$ 3,941).

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, 2020 and 2019, 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, 2020, the members of the Company are legal and natural persons which hold 62.74% and 37.26% of shares, respectively (2019: 62.63% and 37.37%, respectively).



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**17. Other Financial Liabilities**

This caption comprises the following:

In thousands of U.S. dollars	Type of liability	Currency	Interest rate	Maturity date	Capital				
					Total	Current portion		Non-current portion	
					2020	2019	2020	2019	
Scotiabank Perú S.A.A.	Loans	USD	4.00%	May 2021	1,002	3,012	1,002	2,012	1,000
BBVA Banco	Loans	USD	2.2%	December 2023	16,009	24,588	4,083	11,224	11,926
Continental S.A.	Promissory notes	USD	1.75%	August 2021	13,031	11,643	13,031	11,643	-
Scotiabank Perú S.A.A.					<b>30,042</b>	<b>39,243</b>	<b>18,116</b>	<b>24,879</b>	<b>14,364</b>

Loans have certain restrictions for the Company, which involve meeting the following covenants. As of December 31, 2020 and 2019, 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.

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, 2020	As of December 31, 2019
Coverage ratio	More than 3.0 (EBITDA/borrowing costs)	99.40 times	79.42 times
Debt-to-equity ratio	Less than 2.5 (total debt/EBITDA)	0.15 times	0.22 times
Debt-service coverage ratio	More than 1.5 (EBITDA/debt)	8.42 times	16.82 times
Debt ratio	Less than 2.5 (financial debt/EBITDA)	0.15 times	0.22 times

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The fair value of financial liabilities is as follows:

In thousands of U.S. dollars	2020	2019
Up to 1 year	14,045	25,700
1-5 years	16,626	14,804
	<b>30,671</b>	<b>40,504</b>

Loans from Scotiabank Perú S.A.A. are secured by: (i) real estate security on fixed assets and mortgages on mining concessions; and (ii) trust agreement entered into in May 2007 between the Company, La Fiduciaria S.A., Scotiabank Perú S.A.A., and the Company's legal representative. Such trust agreement is effective until loans are fully paid. The trust property is related to the Santa María I Processing Plant and Minero Pataz Empresa de Propiedad Social 1, Minero Pataz Empresa de Propiedad Social 2 and Minero Pataz Empresa de Propiedad Social 3 mining concessions.

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

	Liabilities		Total equity	
	Bank loans	Lease liabilities	Issued capital	Retained earnings
<i>In thousands of U.S. dollars</i>				
Balance as of January 1, 2020	39,243	7,800	109,436	160,178
<b>Changes in cash flows from financing activities</b>				<b>338,544</b>
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)
<b>Total changes in cash flows from financing activities</b>	<b>(8,955)</b>	<b>(4,801)</b>	-	<b>(138,271)</b>
<b>Effects of changes in exchange rates</b>	-	-	-	<b>(45,470)</b>
<b>Changes in fair value</b>	-	-	-	-
<b>Other liability-related changes</b>	-	-	-	-
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
Other accounts payable to related parties	-	-	-	-
<b>Total other liability-related changes</b>	<b>(246)</b>	<b>3,023</b>	-	<b>2,777</b>
<b>Total other equity-related changes</b>	-	-	-	<b>106,692</b>
<b>Balance as of December 31, 2020</b>	<b>30,042</b>	<b>6,022</b>	<b>100,166</b>	<b>209,928</b>
			<b>20,033</b>	<b>366,191</b>

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	Liabilities			Total equity	
	Bank loans	Lease liabilities	Issued capital	Other capital reserves	Retained earnings
<i>In thousands of U.S. dollars</i>					
Balance as of January 1, 2019	39,104	7,425	63,924	12,785	154,841
<b>Changes in cash flows from financing activities</b>					<b>278,079</b>
Loans received	12,000	-	-	-	12,000
Cash paid for loans	(11,967)	-	-	-	(11,967)
Cash paid for lease liabilities	-	(5,627)	-	-	(5,627)
Cash paid for dividends	-	-	-	-	(34,933)
<b>Total changes in cash flows from financing activities</b>	<b>33</b>	<b>(5,627)</b>	-	-	<b>(34,933)</b>
<b>Effects of changes in exchange rates</b>	-	-	<b>926</b>	<b>185</b>	<b>6,184</b>
<b>Changes in fair value</b>	-	-	-	-	-
<b>Other liability-related changes</b>	-	-	-	-	-
Increase in items of property, plant and equipment under finance lease	-	3,917	-	-	3,917
Others	2,315	2,217	-	-	4,087
Cash paid for interest	(2,209)	(132)	-	-	(2,341)
Other accounts payable to related parties	-	-	-	-	-
<b>Total other liability-related changes</b>	<b>106</b>	<b>6,002</b>	-	-	<b>(445)</b>
<b>Total other equity-related changes</b>	-	-	<b>44,586</b>	<b>8,917</b>	<b>34,531</b>
<b>Balance as of December 31, 2019</b>	<b>39,243</b>	<b>7,800</b>	<b>109,436</b>	<b>21,887</b>	<b>338,544</b>

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**18. Employee Benefits**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Holidays payable		657	365
Employees' profit sharing payable	26	13,515	10,843
Severance payment		265	252
Wages and salaries payable		3	-
<b>Total employee benefit liabilities</b>	<i>5.F</i>	<b>14,440</b>	<b>11,460</b>

*See accounting policy in note 3.M.***19. Provisions**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Opening balance		768	917
Additions	31	440	99
Provisions used during the year		(23)	(265)
Effect for exchange rate		(77)	17
<b>Closing balance</b>	<i>5.F</i>	<b>1,108</b>	<b>768</b>

*See accounting policy in note 3.J.***20. Provision for Environmental Rehabilitation**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Opening balance		8,872	9,201
Upgrading of fixed asset value	12	13,112	(319)
Borrowing costs	33	246	355
Adjusted rates		(1)	0
Expenses		(105)	(428)
Effect for exchange rate		(754)	63
<b>Closing balance</b>	<i>5.F</i>	<b>21,370</b>	<b>8,872</b>
Less: Current portion		(937)	(937)
<b>Non-current portion</b>		<b>20,433</b>	<b>7,935</b>

*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.

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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 Company managed to renew the letter of guarantee with Banco Santander Perú S.A. with maturity on January 10, 2020, for US\$ 16,587 thousand, including sales tax, at an annual rate of 0.30%, which was granted in favor of MINEM to ensure the implementation of the mine closure plan of the Poderosa Production Unit.

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:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Depreciation	12	436	392
Costs of upgrading the provision for environmental rehabilitation	33	246	355

**21. Derivative Instruments**

The Company has ISDA master agreements entered into with international financial institutions—e.g., Macquarie Bank Limited, Techemet, among others—to set prices to hedge cash flows from sales. As of December 31, 2020, this type of hedging instruments resulted in a net loss on financial instruments for US\$ 16,740 thousand (2019: net loss for US\$ 5,554 thousand). As of December 31, 2020, the hedging instrument amounts to US\$ 1,862 thousand (note 5.F) and is included in 'hedging instruments' in the separate statement of financial position (2019: US\$ 870 thousand).

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

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## 22. Deferred Tax Liabilities

This caption comprises the following:

In thousands of U.S. dollars	As of December 31, 2019	Effect of movements in exchange rates	As of December 31, 2019	Credit (debit) to the separate statement of profit or loss	Effect of movements in exchange rates	As of December 31, 2020
<b>Deferred assets</b>						
Costs for mine closure	1,385	26	1,359	88	(118)	1,329
Employees' profit sharing payable	2,400	50	3,192	1,101	(304)	3,989
Finance leases	365	7	475	(236)	(33)	206
Provision for mine closure	144	-	(117)	37	9	(71)
Accrued holidays	15	-	(11)	17	1	7
Provision for labor lawsuits	271	4	227	123	(23)	327
Special mining tax	879	16	822	(294)	(61)	467
Inventory obsolescence	48	-	-	-	-	-
<b>Total deferred assets</b>	<b>5,507</b>	<b>104</b>	<b>5,946</b>	<b>836</b>	<b>(528)</b>	<b>6,254</b>
<b>Deferred liabilities</b>						
Excess amortization of intangible assets	(13,952)	(282)	(17,291)	(12)	1,465	(15,838)
Property, plant and equipment	(1,096)	(25)	(1,706)	(268)	153	(1,821)
Inventories	-	(1)	(89)	(42)	9	(122)
Cost of leased assets	(342)	(7)	(475)	239	33	(203)
<b>Total deferred liabilities</b>	<b>(15,390)</b>	<b>(314)</b>	<b>(19,562)</b>	<b>(83)</b>	<b>1,661</b>	<b>(17,984)</b>
<b>Deferred liabilities, net</b>	<b>(9,883)</b>	<b>(210)</b>	<b>(13,616)</b>	<b>753</b>	<b>1,133</b>	<b>(11,730)</b>

See accounting policy in note 3.1.

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

In thousands of U.S. dollars	Note	2020	2019
Total closing balance		11,730	13,616
Total opening balance		(13,616)	(9,883)
Effect of movements in exchange rates		1,133	(210)
<b>Expenses for the year</b>	<b>27</b>	<b>(753)</b>	<b>3,523</b>

## 23. Issued Capital

As of December 31, 2020 and 2019, the authorized, subscribed, and paid-in capital is represented by 363,000,000 ordinary shares with a face value of S/ 1 each.

The General Stockholders' Meeting, held March 14, 2019, approved the increase in capital stock and capitalized S/ 147,000 thousand of the 2016 profits. Such capitalization is registered at the National Superintendency of Public Registries (SUNARP, for its Spanish acronym).

As of December 31, 2020, the Company's ordinary shares are listed in the Lima Stock Exchange at S/ 10.3 per share (2019: S/ 10) and have a trading frequency of 43% (2019: 93%).

As of December 31, 2020 and 2019, the Company's shareholding structure is as follows:

Percentage of individual interests in capital	2020		2019	
	Number of stockholders	Total percentage of interests	Number of stockholders	Total percentage of interests
Up to 1	220	96.49	185	95.85
From 1.01 to 5	1	0.44	1	0.52
From 5.01 to 10	2	0.88	2	1.04
More than 10	5	2.19	5	2.59
	<b>228</b>	<b>100.00</b>	<b>193</b>	<b>100.00</b>

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.

## 25. Retained Earnings

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.

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The General Stockholders' Meeting, held March 14, 2019, approved the dividend distribution for US\$ 44,586 thousand (S/ 116,640 thousand) (S/ 0.54 thousand per ordinary share), debited to the 2017 and 2018 profits. Payments initiated in April 2019 and the amount was fully paid in October 2019.

**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 2020, the Company determined a current employees' profit sharing for US\$ 13,522 thousand (2019: US\$ 10,643 thousand), which was recorded in the following items:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Cost of sales	29	8,150	6,001
Selling expenses	30	25	16
Administrative expenses	31	2,405	1,666
Intangible assets	14	3,247	2,965
Effect of exchange rates		(305)	90
		<b>13,522</b>	<b>10,738</b>

As of December 31, 2020, the employees' profit sharing payable amounts to US\$ 13,515 thousand (2019: US\$ 10,843 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, 2020 and 2019, 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 rates applicable to the corporate income tax for the last taxable years are as follows:

Until year 2014	30.0%
For years 2015 and 2016	28.0%
For year 2017 onwards	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.

For the years 2020 and 2019, the income tax rate for dividend distribution and any other form of profit distribution applicable to legal persons not domiciled in Peru and natural persons is 5.0%.

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The rates applicable to the income tax on dividends for the last taxable years are as follows:

Until year 2014	4.1%
For years 2015 and 2016	6.8%
For year 2017 onwards	5.0%

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.

- 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, 2020, expenses for mining royalties and special mining tax amount to US\$ 5,500 thousand and US\$ 5,588 thousand, respectively (2019: US\$ 4,590 thousand and US\$ 4,216 thousand).

- 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, 2020, the contributions to the fund amount to S/ 2,720 thousand (2019: S/ 2,060 thousand).

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#### Income Tax Determination

- E. The Company computed its tax base for the years ended December 31, 2020 and 2019 and determined current tax for US\$ 47,448 thousand and US\$ 36,636 thousand, respectively.

Tax expense comprises the following:

In thousands of U.S. dollars	Note	2020	2019
Current tax		47,448	36,636
Deferred tax	22	(753)	3,523
Special mining tax		5,588	4,216
Effect for exchange rate		(1,441)	275
		<b>50,842</b>	<b>44,650</b>

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

In thousands of U.S. dollars	2020		2019	
Profit before tax	157,534	100.00%	134,509	100.00%
Income tax (theoretical)	46,473	29.50%	39,680	29.50%
Special mining tax	5,588	3.55%	4,216	3.13%
<b>Tax effects on additions and deductions</b>				
Permanent differences	(1,219)	(0.77%)	754	0.56%
<b>Current and deferred tax as per effective rate</b>	<b>50,842</b>	<b>32.28%</b>	<b>44,650</b>	<b>33.19%</b>

#### 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 2020 and 2019 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 2020 amounts to S/ 4,778 thousand (2019: S/ 4,141 thousand).

#### Financial Transaction Tax

- G. Financial transaction tax for the years 2020 and 2019 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.

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#### 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.

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 (if accrued revenue of the taxpayer exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the taxpayer in a group exceeds 20,000 tax units); and (iii) presentation of a Country-by-Country Reporting (if accrued, consolidated revenue from the prior year of the taxpayer in a multinational group exceeds S/ 2,700,000,000 or € 750,000,000). The presentation of the Master File and the Country-by-Country Reporting are mandatory for transactions corresponding to the year 2017 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 2018 shall be June 2019, in accordance with the maturity schedule agreed upon for May and published by the Tax Authorities.

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.

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

As of December 31, 2019, the Company is not required to submit any of such files.

#### Tax Assessment

- 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 2018 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.

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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, 2020 and 2019.

**Sales Tax Regime**

- J. 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 Decree 1425 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. **Thin capitalization:** From 2019 to December 31, 2020, borrowing costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 tax units, infrastructure, public utilities, among others.

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- M. **Sixth Method:** Under the sixth method, the related party transactions of exporters and/or importers of commodities and semi-commodities have to be priced at the quoted price in the market (market price), provided that such quoted price is higher than the price agreed upon by the parties to the transaction, in compliance with certain requirements of timely reporting—i.e., contract, incoterm, commodity type, unit of measurement, quantity, stock exchange, refinery costs, premiums, discounts, among others—to the Tax Authorities. Otherwise, for exports, the market price is the quoted price in force at the date of loading the goods and, for imports, the quoted price in force at the date of unloading the goods. The Sixth Method for determining the market price does not abolish the implementation of the new accrual concept for recognizing revenue from exports. Accordingly, an entity shall assess the financial and tax consistency of revenue recognition by reviewing and/or adjusting such policy to the new concept in order to avoid, for tax purposes, early revenue recognition or its undue deferral. A reconciliation of the financial treatment to the tax treatment is required.

- N. **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.

- O. **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.

- P. **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.

Likewise, as of the date of preparation of this note, the General Anti-avoidance Rule is not effective until the issuance of the relevant supreme decree setting the formal and substantial parameters of Regulation XVI of Tax Code.

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- Q. **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.

- R. **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.

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.

- S. **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.

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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.

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.

## 28. Revenue

### A. Revenue streams

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

<i>In thousands of U.S. dollars</i>	2020	2019
Revenue from contracts with customers – Gold bullion (a)	475,189	442,602
<b>Total revenue</b>	<b>475,189</b>	<b>442,602</b>

- (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, 2020, the balance of adjusted prices amounts to US\$ 325 thousand (2019: US\$ 1,524 thousand).

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

	2020	2019
Gold (USD/oz)	1,777	1,404
Silver (USD/oz)	21	16

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

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

<i>In thousands of U.S. dollars</i>	Total	
	2020	2019
<b>Main performance obligations</b>		
Sale of mineral and laboratory services	475,189	442,602
	<b>475,189</b>	<b>442,602</b>

**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 3.0.

**C. Contract balances**

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

<i>In thousands of U.S. dollars</i>	Note	2020	2019
Trade accounts receivable	7	3,528	2,901
		<b>3,528</b>	<b>2,901</b>

(a) As of December 31, 2020 and 2019, the Company does not have contract assets or contract liabilities.

**29. Cost of Sales**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2020	2019
Beginning inventory of finished goods	9	7,085	5,220
Beginning inventory of work-in-progress	9	253	295
Production costs (*)		251,374	260,588
Supervisory Agency for Investment in Energy and Mining of Peru (OSINERGMIN) and OEFA		1,137	1,060
Ending inventory of finished goods	9	(7,107)	(7,085)
Ending inventory of work-in-progress	9	(198)	(253)
		<b>252,544</b>	<b>259,825</b>

See accounting policy in note 3.P.

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(\*) It comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2020	2019
Artisanal miners		64,632	84,009
Amortization	14	63,167	51,795
Cleaning up of camps and metalworking		36,362	37,020
Mining activities – contractors		15,677	16,669
Personnel expenses	32	13,781	13,729
Use of materials and supplies		9,563	12,042
Transportation and storage		8,833	10,946
Depreciation	12 & 13	9,485	8,846
Employees' profit sharing	26	8,150	6,001
Lease of machinery and equipment		4,352	5,511
Electric power		2,629	2,401
Security services		3,443	3,202
Civil construction activities – contractors		1,777	2,067
Sampling and analysis		2,220	1,419
Repair and maintenance services		2,322	1,999
Advisory and consulting services on geology, mine and plant		721	1,009
Landline and mobile phones, Internet and satellite link		237	229
Software license expenses		311	289
Others		3,712	1,405
		<b>251,374</b>	<b>260,588</b>

**30. Selling Expenses**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2020	2019
Sale participation agreements (a)		9,083	8,078
Third-party services (b)		1,068	982
Personnel expenses	32	45	42
Depreciation	12 & 13	-	11
Employees' profit sharing	26	25	16
Others		42	39
		<b>10,263</b>	<b>9,168</b>

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, 2020 and 2019, 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.

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**31. Administrative Expenses**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Personnel expenses	32	14,294	12,846
Employees' profit sharing	24	2,405	1,666
Third-party services (*)		4,626	5,213
Other administrative expenses (**)		7,770	7,506
Mining royalties – Law 29788	27.C	5,500	4,590
Provision for litigations	19	440	140
Loss allowance for accounts receivable	8	409	1,633
Depreciation	12 & 13	1,013	1,006
Others		39	189
		<b>36,496</b>	<b>34,789</b>

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

(\*) It comprises the following:

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
Advisory and consulting services	2,184	1,911
Land and air transportation of employees	210	458
Environmental management	839	783
Lease of offices	9	27
Lease of equipment	195	471
Security services	206	252
Satellite link, landline and mobile phones	68	105
Room and board	49	153
Electric power	93	82
Bank charges	121	134
Other services	652	837
	<b>4,626</b>	<b>5,213</b>

(\*\*) It comprises the following:

<i>In thousands of U.S. dollars</i>	<b>2020</b>	<b>2019</b>
Insurance contracts	3,084	2,780
Expenses for donations	2,890	3,665
Other services	1,796	1,061
	<b>7,770</b>	<b>7,506</b>

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**32. Personnel Expenses**

This caption comprises the following:

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

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>Cost of sales</b>		<b>Selling expenses</b>		<b>Administrative</b>	
		<b>(note 29)</b>	<b>(note 29)</b>	<b>(note 30)</b>	<b>(note 30)</b>	<b>expenses (note 31)</b>	<b>expenses (note 31)</b>
Wages and salaries	18	7,441	6,919	30	26	2,731	2,541
Social security contributions		2,288	2,077	4	4	444	427
Legal bonuses		1,244	1,169	5	5	472	450
Other personnel expenses		485	1,304	-	-	298	292
Other benefits		1,120	1,003	-	2	194	258
Severance payment		709	686	3	3	263	266
Holidays		494	571	3	2	213	235
Remuneration to Board of Directors	16(c)	-	-	-	-	9,679	8,377
		<b>13,781</b>	<b>13,729</b>	<b>45</b>	<b>42</b>	<b>14,294</b>	<b>12,846</b>

**33. Finance Income (Borrowing Costs)**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Finance income</b>			
Interest on time deposits		215	260
Interest on loans		32	77
Other income		43	-
		<b>290</b>	<b>337</b>
<b>Borrowing costs</b>			
Loss on derivative instruments (a)	21	(17,183)	(5,554)
Interest on short-term and long-term loans and leases		(1,454)	(1,944)
Interest on financial liabilities discounts		(54)	(79)
Market price expenses		(65)	(84)
Costs of upgrading the provision for environmental rehabilitation	20	(246)	(355)
Others		(251)	(186)
		<b>(19,253)</b>	<b>(8,193)</b>

(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, 2020 and 2019, it resulted in losses.

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

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**34. Earnings per Share**

Earnings per ordinary share are as follows:

<i>In thousands of U.S. dollars</i>	2020	2019
<b>Income attributable</b>	<b>106,692</b>	<b>88,034</b>
Denominator		
Outstanding shares	363,000	363,000
<b>Earnings per share (in U.S. dollars)</b>	<b>0.294</b>	<b>0.243</b>

*See accounting policy in note 3.V.***35. Other Income and Expenses**

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	2020	2019
<b>Other income</b>		
Revenue from sale of materials	21	25
Lease of items of property, plant and equipment	1,898	2,045
Lease of equipment	265	-
Gain on sale of fixed assets	-	57
Other income	37	25
	<b>2,221</b>	<b>2,152</b>
<b>Other expenses</b>		
Cost on disposal of fixed assets	1,610	463
	<b>1,610</b>	<b>463</b>

**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.

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As of December 31, 2019, investment expenses and maintenance and monitoring costs of the 18 PAMA investment projects, which correspond to the fourth quarter of 2019, amounted to US\$ 364 thousand in the Poderosa Production Unit and accrued expenses amounted to US\$ 1,428 thousand. Regarding the fourth quarter of 2019, environmental management expenses amounted to US\$ 1,253 thousand in the Poderosa de Trujillo, Libertad, Suyubamba, Lavasen, Condormarca and Montañitas Economic Administrative Units. As of December 31, 2019, accrued expenses amounted to US\$ 4,157 thousand.

As of December 31, 2020, investment expenses and maintenance and monitoring costs of the 18 PAMA investment projects, which correspond to the fourth quarter of 2020, amounted to US\$ 303 thousand in the Poderosa Production Unit and accrued expenses amounted to US\$ 1,182 thousand.

Regarding the fourth quarter of 2020, environmental management expenses amounted to US\$ 1,046 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\$ 3,447 thousand.

**37. Contingencies and Commitments**

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

**A. Tax proceedings****i. Tax proceeding: 2003 income tax – File 3867-2011**

As a result of the tax assessment of 2003 income tax, dated January 24, 2007, the Company received Tax Assessment Resolution 012-003-0011644 and Fine Resolution 012-002-0011153, dated January 17, 2007, from the Tax Authorities for an alleged infringement according to the Article 178 (1) of Tax Code, determining objections that decreased the tax loss for the year 2003 by US\$ 3,156 thousand (S/ 11,436 thousand) and a fine of US\$ 770 thousand (S/ 2,789 thousand) (excluding interest) for an alleged loss unduly stated in tax returns.

On February 21, 2007, the Company filed a claim under File 015-03-40007511, challenging the objections made by Tax Authorities related to (i) the undocumented amortization of intangible assets for US\$ 1,398 thousand (S/ 5,065 thousand); and (ii) the undocumented loss recorded in account 679002 (hedging) for US\$ 1,632 thousand (S/ 5,913 thousand).

On December 30, 2010, the Tax Authorities issued Resolution 0150140009513, which was notified on February 2, 2011, declaring groundless the claim filed against the aforementioned Resolution.

On February 22, 2011, the Company filed an appeal against the aforementioned Resolution, which was signed by the Tax Court under File 0038672011-2011. Likewise, the Company requested an extension on April 5, 2011.

To date, it is at the Third Chamber of the Tax Court and is pending resolution.

**ii. Tax proceeding: 2009 income tax – File 12866-2012**

Through Requirement 0121110000224, dated June 10, 2012, the 2009 income tax audit began. On January 9, 2012, the Company received Tax Assessment Resolution 012-003-0027240 for an omission amounting to US\$ 1,071 (S/ 3,881 thousand) for 2009 income tax and US\$ 270 thousand (S/ 980 thousand) for accrued default interest until December 28, 2011.

Likewise, the Company received Fine Resolution 012-002-0019173 for US\$ 536 thousand (S/ 1,941 thousand) and US\$ 137 thousand (S/ 495 thousand) for accrued default interest until December 28, 2011.

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On February 6, 2012, the Company filed a claim against such resolutions before the Tax Authorities, which was declared groundless through Resolution 0150140010367, dated June 28, 2012. On August 21, 2012, the Company filed an appeal against the aforementioned Resolution, which was signed by the First Chamber of the Tax Court under File 12866-2012.

On September 19, 2019, the oral report was made before the First Chamber of the Tax Court and, on September 24, 2019, the corresponding oral arguments were presented.

On November 4, 2019, the Company received Tax Court Resolution 09780-1-2019, dated October 25, 2019, revoking Resolution 0150140010367, dated June 28, 2012, submitting an objection for the installation of a water pipeline in the Zarumilla community and an objection for over-depreciated exploration expenses – additions of years 2007, 2008 and 2009 (contingent); as well as Fine Resolution 012-002-0019173, maintaining the objections regarding the donations for the improvement of the Chagual Bridge and the inappropriate amortization for the expansion of tailings dams in the Santa María Production Unit.

On January 20, 2020, the Company received Tax Authorities' Resolution, implementing Tax Court Resolution 09780-1-2019. The Company paid in full the debt to continue conducting its defense at court against the objections regarding the donations for the improvement of the Chagual Bridge and the inappropriate amortization for the expansion of tailings dams in the Santa María Production Unit, as well as the collection of default interest. The chances of achieving a favorable outcome at court are 50%.

**iii. Tax proceeding: 2010 income tax – Files 3713-2017 and 6716-2018**

Through Requirement 0122130002404, dated September 17, 2013, the Tax Authorities began the 2010 income tax audit.

On November 23, 2015, the Company received Tax Assessment and Fine Resolutions for US\$ 1,107 thousand (S/ 4,010 thousand) and US\$ 1,554 thousand (S/ 5,630 thousand), respectively, for the adjustment of payments of 2010 income tax stating various objections.

On December 22, 2015, the Company filed a claim against such objections under Claim File 0150340014337.

On February 6, 2017, the Company received Resolution 0150140013039, declaring groundless the claim filed by the Company for down payments and related fines.

Tax Assessment Resolution 0120030064043 and Fine Resolution 0120020026838 were also declared groundless.

On February 22, 2017, the Company filed an appeal against Resolution 0150140013039 (Appeal File 0150350009271), which was given to the First Chamber of the Tax Court (File 3713-2017).

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On July 19, 2017, the Company received Tax Assessment and Fine Resolutions for the adjustment of payments of 2010 income tax. The Company filed the corresponding claim.

Such appeal is at the First Chamber of the Tax Court and is pending resolution (File 3713-2017). On September 12, 2019, the oral report was made and on September 17, 2019 the corresponding oral arguments were presented.

On November 4, 2019, the Company received Tax Court Resolution 09781-1-2019, dated October 25, 2019, revoking Resolution 0150140013039, dated December 30, 2016, requiring the Tax Authorities to repay the down payments of income tax from March to December 2010, in accordance with the Tax Court decision regarding the 2009 income tax determination (Tax Court Resolution 09780-1-2019).

On January 22, 2020, the Company received Tax Authorities' Resolution, implementing Tax Court Resolution 09781-1-2019. The Company paid in full the debt to continue conducting its defense at court against the rate of down payments of the months from March to December, collection of default interest and penalties under the Article 170 of Tax Code. The chances of achieving a favorable outcome at court are 50%.

On April 11, 2018, the Company received the Resolution 0150140014062, declaring groundless the claim filed.

On May 2, 2018, the Company filed an appeal against Resolution 0150140014062 (2010 income tax determination), which was given to the Fourth Chamber of the Tax Court (File 6716-2018).

On December 4, 2019, the oral report was made before the Fourth Chamber of the Tax Court and, on December 9, 2019, the corresponding oral arguments were presented.

**iv. Tax proceeding: 2011 income tax**

Through Requirement 0122150002962, dated October 22, 2015, the Tax Authorities notified the beginning of the 2011 partial income tax audit.

On June 10, 2016, the Company received Tax Assessment Resolution 012-003-0073122 and Fine Resolution 012-02-0028536 from the Tax Authorities.

On July 6, 2016, the Company filed a claim under File 0150340014855, which is pending resolution.

**v. Tax proceeding: 2012 income tax – File 18995-2015**

Through Letter 130011423740-01/SUNAT, dated December 27, 2013, the Tax Authorities notified the beginning of the 2012 income tax audit.

On January 8, 2015, the Company received Tax Assessment Resolution 012-003-0054725 for the adjustment of payments of 2012 income tax, stating the following objections: (i) unlicensed advisory and consulting services; (ii) stockpiles not recognized as work-in-progress or performance bonus recognized as donations; and (iii) adjustments for temporary objections of 2009 income tax audit for US\$ 452 thousand (S/ 1,639 thousand).

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On February 5, 2015, the Company filed a claim against Tax Assessment Resolution 012-003-0054725 for the adjustment of payments of 2012 income tax.

On November 26, 2015, the Company received Resolution 0150140012135, declaring groundless the claim filed under File 0150340013790, dated February 5, 2015.

On December 18, 2015, the Company filed an appeal (File 0150350008605) against the aforementioned Resolution, which was signed under File 18995-2015. Such appeal was given to the First Chamber of the Tax Court and is pending resolution.

On December 15, 2020, the oral report was made before the First Chamber of the Tax Court.

**vi. 2014 income tax audit**

Through Letter 084-2019/SUNAT/7D0300, dated January 28, 2019, the Tax Authorities began the 2014 income tax audit.

On March 12, 2019, the Company provided the information on magnetic media in accordance with the request for presentation of documents related to the income tax of such year, which is pending.

**vii. 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.

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.

**viii. Tax proceeding: 2015 mining royalties**

On August 1, 2019, the Company received Tax Assessment Resolutions 012-003-0105910, 012-003-0105911, 012-003-0105912 and 012-003-0105913, regarding the adjustment of mining royalties of the periods from March 2015 to December 2015, arising from a final audit. Such Resolutions do not rule any debt.

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On January 9, 2020, the Company filed a claim against Tax Assessment Resolutions. Such claim was settled through Claim File 0150340017611.

On October 14, 2020, the Company received Tax Authorities' Resolution 0150140015629, declaring groundless the claim filed by the Company and approving Tax Assessment Resolutions 012-003-0105910, 012-003-0105911, 012-003-0105912 and 012-003-0105913, which do not involve any debts.

**ix. 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.

**x. Adversary administrative proceeding: Request for recognition of credit balance of the exporter (credit balance of benefit matters – SFMB) – Tax Court Resolution 03787-1-2019 – File 08500-2019-0-1801-JR-CA-19**

On December 17, 1992, the Company (associate) entered into a joint venture agreement with Minero Pataz Empresa de Propiedad Social (associate) in order to carry out exploitation and exploration activities in the Minero Pataz 1 Empresa de Propiedad Social and Minero Pataz 2 Empresa de Propiedad Social mining concessions.

On January 12, 1996, Minero Pataz Empresa de Propiedad Social transferred its mining rights (mining concessions) to Inversiones Mineras Tarata S.A.

On November 14, 1996, through a merger by absorption, Inversiones Minera Tarata S.A. was absorbed by Minera AV S.A.

On June 17, 1998, through a public deed of transfer of mining rights, Minera AV S.A. transferred to the Company the Minero Pataz Empresa de Propiedad Social 1, Minero Pataz Empresa de Propiedad Social 2, Minero Pataz Empresa de Propiedad Social 3 and Minero Pataz Empresa de Propiedad Social 4 mining concessions.

On October 25, 2002 the Company requested the Tax Authorities to recognize the credit balance of the exporter for US\$ 486,983 (S/ 1,764,828), corresponding to the joint venture.

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Since the term for the Tax Authorities to respond to such request expired, the Company filed a claim against the tacit decision to reject the aforementioned reimbursement, indicating that the transfer of the mining concessions to the Company corresponds to a takeover, including the production unit that was made up by such concessions.

However, the Tax Authorities consider that the transfer of the mining concessions cannot be considered as a takeover, since the parties intended to transfer the mining concessions and not a business unit.

Tax Court Resolution 03787-1-2019 indicates that there was no corporate restructuring or takeover, so the Company could not request the recognition of the aforementioned credit balance of the exporter.

On August 1, 2019, the Company filed a claim before the Judiciary against Resolution 03787-1-2019 in order to recognize the reimbursement of US\$ 486,983 (S/ 1,764,828).

Such claim was given to the 19th Tax Court (File 08500-2019-0-1801-JR-CA-19). Resolution 1, dated August 26, 2019, granted leave to proceed with the claim. On September 16 and 18, 2019, the Tax Authorities and Tax Court responded to the claim.

Resolution 3, dated June 16, 2020, granted non-suspensive effect to the appeal against Resolution 2, dated October 25, 2019, declaring inadmissible as time-barred the response to the claim and finding the Tax Court in default, and sent the record to the superior court. Likewise, the proceeding was declared admissible.

Resolution 5, dated September 4, 2020, rescheduled the oral hearing for March 25, 2021 at 10:20 a.m.

**xi. Adversary administrative proceeding: 2009 income tax – Tax Court 09780-1-2019 – File 1211-2020-0-1801-JR-CA-20**

On February 4, 2020, the Company filed a claim against Tax Court Resolution 09780-1-2019.

On March 4, 2020, the Company received Resolution 1, granting leave to the claim by the 20th Administrative Court with Tax Subspecialty Area.

On March 9 and 12, 2020, the Ministry of Economy and Finance (MEF) appeared at the hearing and responded to the claim. On May 25, 2020, the Tax Authorities responded to the claim.

Resolution 5, dated October 12, 2020, declared admissible the proceeding, identified the matters in dispute and admitted the evidence, thus there was no need of a proof hearing.

Resolution 6, dated October 21, 2020, rescheduled the oral hearing for March 25, 2021 at 10:00 am. It will be a virtual hearing.

**xii. Adversary administrative proceeding: Down payments of 2010 income tax – Tax Court 09781-1-2019 – File 1207-2020-0-1801-JR-CA-22**

On February 4, 2020, the Company filed a claim against Tax Court Resolution 09781-1-2019.

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On May 14, 2020, the Company received Resolution 1, granting leave to the claim by the 22nd Administrative Court with Tax Subspecialty Area.

Resolution 3, dated July 22, 2020, responded to the claim filed by the Tax Authorities and the Tax Court.

**xiii. Adversary administrative proceeding: Down payments of 2010 income tax – Tax Court 04712-4-2020 – File 6870-2020-0-1801-JR-CA-01**

On December 28, 2020, the Company filed a claim against Tax Court Resolution 04712-4-2020.

**B. Legal proceedings**

As of December 31, 2020, there are several claims against the Company pending resolution. Such claims require the payment of a) nullity of an administrative decision for US\$ 397 thousand (S/ 1,439 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\$ 3,171 thousand (S/ 11,492 thousand).

**C. Warranties**

As of December 31, 2020, the Company has the following letters of guarantee and lease guarantees:

- The Company renewed a letter of guarantee with maturity on January 11, 2021 for US\$ 17,749,264 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.
- The Company issued a letter of guarantee with maturity on October 29, 2021 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 3, 2020 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, 2021 for US\$ 503,587 (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 issued a letter of guarantee with maturity on June 8, 2021 for US\$ 52,859 (S/ 191,562.30) thousand, which was granted in favor of the District Municipality of Pataz to ensure the execution of the project "Establishment of a Municipal Library in the Pataz community."
- The Company issued a letter of guarantee with maturity on October 10, 2020 for US\$ 12,893 (S/ 46,273.33), which was granted in favor of the District Municipality of Plas to ensure the execution of the project "Rendering of electrical services through 22.9 kV primary and secondary transmission lines to the Alacoto, Pamparacra and Pucuchuyo villages, District of Plas, Province of Pataz, Department of La Libertad."



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**D. Commitments**

As of December 31, 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**

No material events or facts that may require adjustments or disclosure in the separate financial statements as of December 31, 2020 have occurred between January 1, 2020 and the reporting date (January 31, 2021).

On January 26, 2021, the Peruvian government implemented new measures to mitigate the impact of the COVID-19's second wave, effective January 31, 2021 for 15 days. Under these new measures, all regions of Peru were categorized as: high, very high and extreme levels.

The measures include the following:

- social immobilization per region;
- transit restrictions;
- suspension of road transport at a provincial level; and
- curfew.

The Company's activities are carried out in regions categorized as very high (La Libertad) and extreme (Lima) levels.

The Company is assessing the potential effects of such measures on its financial reporting. Also, no change in the requirements for carrying out business activities is expected from the implementation of the COVID-19 government measures (March 2020). The latter since the Company has met all requirements for the COVID-19 technical guidance for infection prevention and control established through executive orders.

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**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, 2020 and 2019.

A. As of December 31, 2020 and 2019, the Company's mineral resources are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2020	1,448,884	17.10 g/gold	24,776
Year 2019	1,432,743	16.71 g/gold	23,939

As of December 31, 2020 and 2019, the processed ore, precipitated mineral and the relevant ore grades are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2020	498,330	18.02 g/gold	8,236
Year 2019	554,857	19.17 g/gold	9,767

B. As of December 31, 2020 and 2019, the Company's mineral reserves are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2020	1,296,225	17.85 g/gold	23,137
Year 2019	1,255,463	17.47 g/gold	21,931

C. As of December 31, 2020 and 2019, the mineral volumes are as follows:

Ounces	2020	2019
Production	264,792	314,023
Sale	265,157	312,413



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## INDEPENDENT EXTERNAL VERIFICATION





INDEPENDENT  
EXTERNAL  
VERIFICATION

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## External Verification Letter– Poderosa Sustainability Annual Report

Lima, August 16, 2021

**Compañía Minera Poderosa S.A.**  
Santiago de Surco  
Lima.-

Through this letter, Responde carries out external verification to confirm that Company Minera Poderosa's Sustainability Annual Report 2020 (hereinafter "the Report") has been prepared under the Global Reporting Initiative (GRI) Standards in its Core option.

This verification is based on:

1. Reading and analysis of the Report according to the "Reporting Principles" for the definition of the content and its quality described in "GRI 101: Fundamentals" of the GRI Standards.
2. Exhaustive verification of the GRI index and compliance with the Universal Standards, Management approach disclosures and Topic-specific disclosures.
3. Identification of strengths and opportunities for improvement in the reporting process and deployment of the contents.
4. Issuance of comments and pertinent recommendations to resolve them.
5. Review of the final version of the Report.

In the following paragraphs we describe the analysis and the recommendations for future Sustainability Reports:

### A. Elements that define the content of the report

The report describes the materiality review process in 2020, whose main input was the list of material issues obtained from the materiality matrix executed during the same year. According to the GRI Standard 101: Using the GRI Standards for sustainability reporting, an opportunity for improvement is to prioritize the material topics and report the validated matrix in the next report instead of a thematic list.

### B. Elements that define the quality of the report

The Report adequately presents the goals achieved and lessons learned to improve its management. This information can be contrasted with previous Reports because it provides systematized data that indicates the evolution of the company's performance. The emphasis on the issue of occupational health and safety is highlighted.

### C. In compliance with Universal Standards and Management Approaches disclosures and Topic-specific disclosures:

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The Report complies with the principles of the GRI Standards for using the GRI Standards for sustainability reporting, including those referring to the definition of content and those related to the quality of the document.

The General disclosures of the Report is developed under the GRI Standards: Core option report. Also, the document establishes the Topic-specific disclosures according to the materiality analysis, which includes the following topics:

- Economic performance
- Operation management: production
- Occupational health and safety
- Materials management
- Water management
- Emissions management
- Energy management
- Respect for biodiversity
- Mine closure plan
- Forestation
- Participatory monitoring
- Labor practices and decent work
- Relationships with local communities
- Formalization of artisanal mining.
- Supply Chain
- Anticorruption
- Innovation

This Report presents extensive information on management indicators at the economic, social and environmental dimensions. This allows the stakeholders to deeply understand the overall company's performance and considering a national and international level. Regarding its Corporate Governance, there is sufficient information about the professional history of its directors and senior officers.

### D. Improvement opportunities for future processes and publication of reports

Regarding the opportunity for improvement, it is suggested to report the requirements of Standard GRI 103: Management approach for the material topics with greater importance or prioritization. According to the reporting principles, not all material topics are equally important and the emphasis within a report is expected to reflect their relative priority.

### E. Relevant recommendations

- As a GRI recommended practice, the reported contents must be referenced in a maximum of 3 pages. It is recommended to assess the order and dispersion of the contents throughout the report. Presenting the material topics' Disclosure GRI 103: Management approach at the beginning of the chapter would allow a rapid reading and a better understanding. It is also recommended to disclose the Report closer to the end of the reported year.

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- Although there is ample information on the management of the company, the selection of information must be precise to respond to the indications established in the Thematic Contents. It is suggested to pay attention to the Recommendations, Guidelines of the Standards, and the Requirements (mandatory instructions for each Thematic Content).

**F. Final review of the report**

The company has made the suggested changes in terms of adding the description of internal processes, annotation in figures, calculation methodology used, and detailing the impacts of the different initiatives carried out. Finally, as part of the recommendations to be addressed in next year's report, the order of the GRI content index will be improved based on material topics and the documentation currently under preparation will be added.

It should be noted that our firm has not participated in the preparation of this Report.

After the arguments presented, we confirm that the Minera Poderosa's Sustainability Annual Report 2020 meets the necessary conditions to comply with a report in accordance with the Standards of the Global Reporting Initiative (GRI) in its Core option.

Sincerely,

Jorge Melo Vega Castro  
Presidente

**About Responde**

We are a consulting company with 16 years of experience, which works with organizations in the main sectors of the Peruvian economy intending to encourage companies to integrate sustainable management into their strategy and operations and establish trust relationships with their stakeholders.

[www.responde.pe](http://www.responde.pe)



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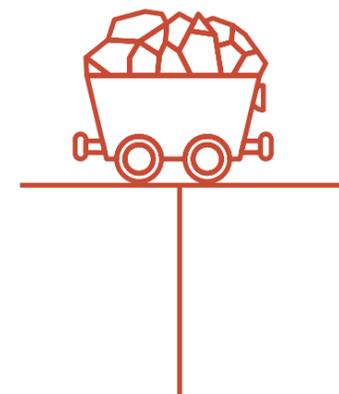
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GRI

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In this way, we help to protect and maintain biodiversity and the forests' ecologic processes, besides showing our respect for the communities.





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