Minsur S.A. and Subsidiaries

Unaudited interim consolidated financial statements as of December 31, 2021 and December 31, 2020 (audited)

1. Corporate information

(a) Identification -

Minsur S.A. (hereinafter "the Company") was incorporated in Peru in October 1977. The activities of the Company are regulated by the Peruvian General Mining Law. The Company is a subsidiary of Breca Minería S.A.C. domiciled in Peru, which holds 99.99 percent of the Company's common shares and 6.31 percent of its investment shares. The Company's registered address is Jirón Giovanni Batista Lorenzo Bernini 149, Office 501A, San Borja, Lima, Peru.

(b) Business activity -

The main activity of the Company is the production and selling of metallic tin that is obtained from the mineral exploited in the San Rafael Mine, located in the Puno region, and the production and selling of gold that is obtained from the Pucamarca mine, located in the region of Tacna.

Through its subsidiary Minera Latinoamericana S.A.C., the Company has investments in Mineração Taboca S.A. and subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and subsidiaries (holding of shares of a group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur SPA and subsidiary (a Chilean company engaged in mining activities). The investment in Inversiones Cordillera del Sur Ltda. is accounted for as an investment in an associate.

In addition, through its subsidiary Cumbres Andinas S.A.C., the Company holds shares in Marcobre S.A.C., a mining company that is dedicated to the extraction, production and marketing of copper concentrates and cathodes, and which has started commercial operations on August 1, 2021. Marcobre S.A.C. operates an open-pit mine with a processing capacity of 6 million metric tons per year for sulfides and 12 million metric tons per year for oxides, which is located in the province of Nazca, Ica region. The estimated investment for the Mina Justa project amounted to US$1.8 billion and it is estimated to have an average annual production for the life of mine (LOM) of 169,800 wet tons of copper concentrate and 43,000 tons of copper cathodes.

Likewise, through its subsidiary Cumbres del Sur SAC, the Company carries out mining rights exploration and exploitation activities and in general, any of the activities directly or indirectly included in the mining activity, mainly concentrated in the Marta Mining Unit, which is in the exploration and evaluation of stage minerals and closure of its environmental liabilities at the Regina Mining Unit. Until November 1, 2020, the subsidiary held investments in the subsidiaries Minera Sillustani S.A.C. and Minera Barbastro S.A.C, mining companies that were absorbed by Cumbres del Sur S.A.C. at that date, see note 1 (c).

As of December 31, 2021 and 2020, the Group is developing the following projects:

(b.1) Mina Justa Project

During 2021, the subsidiary Marcobre made disbursements of approximately US$276,500,000 (US$527,580,000 at December 31, 2020), which were mainly for the execution and construction phase of the project, which has guarantees.

The construction of the project was financed with contributions from the shareholders and through a syndicated loan from a group of financial institutions for up to an amount of US$900,000,000. The management and supervision of the project has been entrusted to Ausenco S.A., a company with which the subsidiary Marcobre has signed an Engineering, Procurement, Construction Management (EPCM) contract dated November 7, 2017 and will be in force until the closing of the performance testing stage of the of the Mina Justa project. The project commenced commercial production on August 1, 2021.

(b.2) Tin Tailings Project B2

Minsur S.A. has developed the B2 tin tailings project located at the San Rafael mine, whose investment amounted to US$ 192,647,000. The project consists of extracting tin from old tailings through a production process to be carried out at the tailings reuse plant. The project started commercial production in January 2020.

(b.3) Tailings dam Project B4 in San Rafael

Minsur S.A. is developing the tailings dam project B4 located at the San Rafael mine, whose investment amounts to US$50,000,000 as of December 31, 2021. The project consists of the construction of a new tailings dam for the San Rafael and B2 plants that will ensure the continuity of operations. The project is scheduled for completion in the first half of 2022.

(c) Reorganization of subsidiaries-

Merger by simple absorption of Cumbres del Sur S.A.C. with the subsidiaries Minera Barbastro S.A.C. and Minera Sillustani S.A.C companies.

At the General Meeting of Shareholders of Cumbres del Sur S.A.C. dated October 22, 2020, the merger by absorption between the subsidiary Cumbres del Sur S.A.C. (absorbing company) and its subsidiaries Minera Barbastro S.A.C. and Minera Sillustani S.A.C. (absorbed companies). Minera Barbastro S.A.C. company, was dedicated to exploration in its mining rights, executing said activity in the mining concessions of the Marta Mining Unit, located in the area of Tinyacclla, district of Huando, province, and region of Huancavelica; While Minera Sillustani S.A.C., was a company whose main activity is related to the closure of its mining environmental liabilities of the Regina Mineral Unit, located in the district of Quilcapuncu, province of San Antonio de Putina, department of Puno.

The merger was carried out with an effective date of November 1, 2020, as part of it, Cumbres del Sur S.A.C. became the owner of all the assets including all types of property and rights and other legal relationships maintained by the Minera Barbastro S.A.C. company and Minera Sillustani S.A.C. company, as well as all the liabilities recorded in their financial statements, in that sense, the absorbed companies were extinguished without the necessity to dissolve or liquidate.

(d) Covid-19 -

Covid-19, an infectious disease caused by a new coronavirus, was declared a global pandemic by the World Health Organization on March 11, 2020. Measures to decrease the spread of Covid-19 have had a significant impact on the global economy.

On March 15, 2020 and through Supreme Decree N°044-2020, the Peruvian Government declared a state of emergency at the national level, closing all businesses considered non-essential (the exceptions were the production and marketing of food, pharmaceutical products, financial services, and health). As a result of these provisions imposed by the Peruvian Government, the Company temporarily halted its production activities at the Pucamarca, San Rafael, B2 and Pisco Refinery and Smelter Mining Units until the beginning of May 2020, where only critical activities were carried out, maintenance, and those necessary to guarantee the safety and health of the personnel and those related to caring for the environment.

This provision did not affect the activities of the subsidiary Marcobre S.A.C.; however, from May 22 to June 15, 2020, construction work was restricted to the bare minimum due to an episode of contagion within the Mina Justa unit.

In accordance with the provisions of the Peruvian Government, the Group's operations gradually restarted their productive activities during the first weeks of May, beginning with the implementation of new security protocols and then mobilizing the personnel and resuming their normal production levels during the third quarter period of 2020, levels that have been maintained throughout 2021.

During February 2021, the Government started a vaccination program throughout the Peruvian territory to mitigate the risk of a higher rate of contagion, transmission of the virus and impact on the Peruvian economy.

Subsidiaries in Brazil

At the beginning of April, aware of its social role, the Group took measures to protect and safeguard the health of its employees, in accordance with the recommendations of the WHO and the Ministry of Health, deciding to suspend activities in the Pitinga and Pirapora units.

After the implementation of new health and safety protocols, which ensure the well-being of employees, the Group decided to progressively resume its operations at the beginning of May 2020 of its mining units in Brazil.

Consequently, due to the temporary lockdown and progressive restart of operations, the Group obtained a lower production of treated tons of tin, generating indirect fixed costs not absorbed in the production process, however, the subsidiary Mineração Taboca S.A. resumed its production levels during the third quarter of 2020, which has been maintained throughout 2021.

Since the beginning of Covid-19, the Group has taken several measures to preserve the health of its employees and to prevent contagion in the administrative and operational areas of the subsidiaries, such as remote work, rigorous cleaning of work environments, distribution of personal protective equipment, testing of suspected cases and measurement of body temperature.

The Group's management has been continuously monitoring the potential short, medium and long term implications of Covid-19 in its interim condensed consolidated financial statements based on the extension of the State of National Emergency established by the Peruvian and Brazilian Government, and considers that these measures will not have an impact on the continuity and development of the operations of the Company and its subsidiaries because the mining activity is within the group of permitted economic activities.

(d) Consolidated financial statements –

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (together, the Group):

	Equity interest			
	December 31, 2021		December 31, 2020	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
Tarianta SPA	-	-	-	90.00
Subsidiaries in Brasil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in Perú:				
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.C.	60.00	-	60.00	-
Cumbres del Sur S.A.C.	99.98	-	99.98	-
Marcobre S.A.C.	-	60.00	-	60.00

A brief of the business activities of the entities included in the consolidated financial statements is presented below:

- Minera Andes del Sur SPA. -

  The corporate purpose of this subsidiary is the exploration and exploitation of mining properties that are acquired or obtained and that facilitate or allow the exploitation of the mineral substances contained them.

- Tarianta SPA. -

  At the General Shareholders' Meeting held on January 25, 2021, the dissolution and liquidation of the subsidiary Tarianta SPA was approved, as a result of the closure of operations in Chile of one of the partners. This company was engaged in mining exploration activities in Chile, as well as the development of mining projects and other related activities. After a legal process before the Chilean authorities, the liquidation was carried out effective October 20, 2021, consequently, the return of contributions and awarding of assets in relation to the participation of the shareholders Quantum Discoveries Chile SPA and Minera Andes del Sur is carried out.

- Mineração Taboca S.A. -

  This mining entity is engaged in the exploitation of the Pitinga mine, located in the northeast region in the Amazonas state, in the Federative Republic of Brazil. This mine has mainly resourced of tin, as well as other minerals. Mineração Taboca S.A. also operates the Pirapora smelter located in Sao Paulo.

- Mamoré Mineração e Metalurgia Ltda. -

  This subsidiary is engaged in the operation of the smelting plant of Pirapora, in Sao Paulo, Brazil.

- Minera Latinoamericana S.A.C. -

  Through this subsidiary, the Company has investments in Mineração Taboca S.A. and its subsidiary, as well as in Inversiones Cordillera del Sur Ltda. and its subsidiaries and in Minera Andes del Sur S.P.A.

- Cumbres Andinas S.A.C. -

  Currently, the activity of this subsidiary is limited to holding 100 percent of the shares of the mining company Marcobre S.A.C., a company in the mining sector whose main activity is the exploration of mining rights, production and commercialization of copper cathodes from the Mina Justa project.

- Marcobre S.A.C. -

  The main activity of the subsidiary is the exploitation and commercialization of copper cathodes and concentrate the Mina Justa operation, located in the Nazca Province, Ica region.

- Cumbres del Sur S.A.C. -

  The purpose of this subsidiary is the exploration and exploration of mining rights and, in general, any other activities directly or indirectly included in the mining activity, mainly concentrated in the Marta mining unit, which is in the exploration and evaluation stage of mineral resources and closure of its environmental liabilities at the Regina mining unit. Until November 1, 2020, the subsidiary held investments in Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C., companies in the mining sector that were absorbed by Cumbres del Sur S.A.C. in that date. See note 1(c).

- Compañía Minera Barbastro S.A.C. –

  The purpose of this subsidiary is the exploration of its mining rights, said activity is carried out in the mining concessions of the Marta Mining Unit, located in the area of Tinyacclla, Huando district, Huancavelica province, and region.

  This subsidiary was absorbed by Cumbres del Sur S.A.C. in November 1, 2020, see note 1 (c).

- Minera Sillustani S.A.C. -

  The purpose of this subsidiary is the closure of its mining liabilities of the Mining Unit, located in the district of Quilcapuncu, province of San Antonio de Putina, department of Puno.

  This subsidiary was absorbed by Cumbres del Sur S.A.C. in November 1, 2020, see note 1 (c).

(f) Approval of the interim condensed consolidated financial statements. -

The unaudited interim condensed consolidated financial statements as of December 31, 2021 were approved for issuance by the Group's Management on March 1, 2022.

The consolidated financial statements as of December 31, 2020 and for the year then ended were approved by the General Shareholders' Meeting on March 24, 2021.

2. Basis of preparation and other significant accounting policies

2.1. Basis of preparation and presentation -

The interim condensed financial statements of the Group have been prepared and presented in accordance with IAS 34 - Interim Financial Information issued by the International Accounting Standards Board (hereinafter "IASB").

The interim condensed consolidated financial statements have been prepared based on historical cost, except for trade accounts receivable, financial assets at fair value with changes in results, financial assets at fair value with changes in other comprehensive income and financial instruments derivatives which are presented at fair value.

The interim condensed consolidated financial statements are presented in United States dollars (US$), and all figures have been rounded to thousands, except where otherwise indicated.

The interim condensed consolidated financial statements provide comparative information for prior periods, however, do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s audited consolidated financial statements as of December 31,2020 and for the year then ended.

The Group has prepared its interim condensed consolidated financial statements under the going concern assumption. In order to carry out its evaluation of a going concern, Management has taken into consideration the matters that may cause an interruption of its operations. Management has considered all future available information that it has obtained after the reporting date up to the date of approval and issuance of the accompanying interim condensed consolidated financial statements.

The following matters have been addressed when preparing these interim condensed consolidated financial statements, assuming the going concern assumption:

- The Group has restarted its commercial activities and resumed operations during 2020, which it has maintained during 2021.
- The Group has restarted construction activities at the Mina Justa project during 2020 and commenced commercial production during 2021.
- The Group has the support of the main shareholders, who have the capacity and financial solvency to be able to finance the required working capital.
- It does not expect Covid-19 to significantly affect the value of its assets, nor does it anticipate material impairment or change in accounting judgments that affect the measurement of the Group's assets and liabilities.

The accounting policies of the annual consolidated financial statements for the year 2020, the current and deferred income tax are measured based on the tax rates and tax regulations that were in force at the date of the end of the reporting period. For the purposes of presenting the consolidated condensed interim financial statements, income tax must be determined based on the best estimate of the weighted average tax rate expected for the annual accounting period. Consequently, for purposes of adapting the aforementioned accounting practice, the income tax for the fourth quarter of 2020 has been modified for comparative purposes with the income tax for the fourth quarter of 2021.

	From 01.10.2020 to 31.12.2020	Evaluation of income tax calculation methodology	Reestimation of the associated investment Cordillera del Sur	Reclassification Hedge Taboca	Reestimation of depreciation	From 01.10.2020 to 31.12.2020
	(Reported)					(Restated)
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Net sales	203,495					203,495
Cost of sales	(117,955)			(18,650)	(2,639)	(139,244)
Gross profit	85,540					64,251
Administrative expenses	(13,742)			(2,072)		(15,814)
Selling expenses	(2,654)					(2,654)
Exploration and evaluation expenses	13,646					13,646
Other expenses, net	(18,521)					(18,521)
Total operating expenses	(21,271)					(23,343)
Operating income	64,269					40,908
Other (expenses) income:						
Finance income	246					246
Finance costs	(17,194)			20,722		3,528
Profit (Loss) from investment in associates, net	7,620		(406)			7,214
Exchange difference, net	10,212					10,212
Total other expenses, net	884					21,200
Profit before income tax	65,153					62,108
Income tax	(17,321)	(30,767)				(48,088)
Net (Loss) profit	47,832					14,020

Interim consolidated statements of comprehensive income:

	From 01.10.2020 to 31.12.2020	Evaluation of income tax calculation methodology	Reestimation of the associated investment Cordillera del Sur	Reestimation of depreciation	From 01.10.2020 to 31.12.2020
	(Reported)				(Restated)
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Net (loss) profit	47,832	(30,767)	(406)	(2,639)	14,020
Other comprehensive income:					
Profit from Cash Flow Hedging, Net of Taxes	4,708				4,708
Exchange differences on translation	23,291		2446		25,737
Share of Other Comprehensive Income of Associates, net of Tax	1,170		193		1,363
Gains on Financial Assets Measured at Fair Value with Changes in Other Comprehensive Income, net of Taxes	1,634				1,634
					-
Other comprehensive income for the year	30,803	-	2,639	-	33,442
Total comprehensive income for the year, net of its income tax	78,635	(30,767)	2,233	(2,639)	47,462

2.2. Reclassifications to the Financial Statements as of December 31, 2020.-

During 2021, the Group identified the following reclassifications based on updates and/or improvements in its accounting policies with the objective of achieving a better presentation for the users of the consolidated condensed interim financial statements:

Consolidated Income Statement

- Presentation as cost of sales and administrative expenses, the effects of settlements of hedging derivative financial instruments.

	From 01.10.2020 to 31.12.2020 US$(000)	Reclassifications US$ (000)	From 01.10.2020 to 31.12.2020 US$ (000) (Restated)
Net sales	649,181	-	649,181
Cost of sales	(412,696)	(18,650)	(431,346)
Gross profit	236,485	(18,650)	217,835
Operating expenses			
Administrative expenses	(43,359)	(2,072)	(45,431)
Selling expenses	(7,236)	-	(7,236)
Exploration and evaluation expenses	(12,741)	-	(12,741)
Other expenses, net	(1,764)	-	(1,764)
Total operating expenses	(65,100)	(2,072)	(67,172)
Operating income	171,385	(20,722)	150,663
Other (expenses) income:			
Finance income	9,266	-	9,266
Finance costs	(67,103)	20,722	(46,381)
Profit (Loss) from investment in associates, net	5,160	-	5,160
Dividends income	132	-	132
Exchange difference, net	(38,398)	-	(38,398)
Total other expenses, net	(90,943)	20,722	(70,221)
Profit before income tax	80,442	-	80,442
Income tax	(82,733)	-	(82,733)
Net (Loss) profit	(2,291)	-	(2,291)

Consolidated statement of cash flows:

- Presentation as an investing activity the collection of interest and yields.
- Presentation as a financing activity the payment of interest and yields.
- Opening of payment of income taxes and payment of other taxes.
- Opening of payment of financial leases and bank loans.

	From 01.10.2020 to 31.12.2020 US$(000)	Reclassifications US$(000)	From 01.10.2020 to 31.12.2020 US$(000)
Operating activities			
Collection from customers	634,172	-	634,172
Collection of general sales tax refunds, taxes and penalties	51,513	-	51,513
Interest and yield collection	7,336	(7,336)	-
Payments to suppliers	(305,548)	1,320	(304,228)
Payroll and social benefit payments	(141,187)	-	(141,187)
Income tax payments	(74,445)	18,325	(56,120)
Payment of other taxes	-	(19,645)	(19,645)
Interest and yield payments	(30,606)	30,606	-
Net cash flows (used in) provided by operating activities	141,235	23,270	164,505
Investing activities			
Collection for the settlement of time deposits over 90 days	358,723	-	358,723
Collection for the liquidation of the State's investment certificates	81,500	-	81,500
Collection for sale of shares of associated companies	8,355	-	8,355
Interest and yield collection	-	7,336	7,336
Dividend receivable from investments in associates and financial assets with changes in other comprehensive income	285	-	285
Collections for sale of property, plant and equipment	74	-	74
Payments for purchase of property, plant and equipment	(472,619)	-	(472,619)
Payments for opening time deposits with original maturity over 90 days	(236,613)	-	(236,613)
Payments for purchase of intangible assets	(100,503)	-	(100,503)
Net cash flows used in investing activities	(360,798)	7,336	(353,462)
Financing activities			
Obtaining bank loans	342,190	-	342,190
Non-controlling interest contributions	95,240	-	95,240
Payment of financial obligations	(69,238)	69,238	-
Bank loan payments	-	(68,877)	(68,877)

	From 01.10.2020 to 31.12.2020 US$(000)	Reclassifications US$(000)	From 01.10.2020 to 31.12.2020 US$(000)
Finance lease payments	-	(361)	(361)
Interest and yield payments	-	(30,606)	(30,606)
Lease payments	(17,313)	-	(17,313)
Financing structuring costs	(1,638)	-	(1,638)
Net cash flows provided by financing activities	349,241	(30,606)	318,635
Net (decrease) increase in cash and cash equivalents	129,678		129,678
Net exchange difference	(5,453)		(5,453)
Cash and cash equivalents as of January 1	133,185		133,185
Cash and cash equivalents as of December, 31	257,410		257,410

3. Cash and cash equivalents and Other financial assets

(a) The composition of the item is presented below:

	2021 US$(000)	2020 US$(000)
Cash on hand and petty cash	13	17
Bank current accounts (b)	406,802	139,027
Time deposits (c)	62,215	45,756
Certificates of bank deposits (d)	323	501
Overnight deposits (e)	-	72,109
Balance considered in the consolidated statements of cash flow	469,353	257,410
Time deposits with original maturities greather than 90 days (f)	-	90,576
	469,353	347,986

(b) As of December 31, 2021, and December 31, 2020, the Group maintains its deposits in current accounts in top-tier local and foreign banks, they are freely available and bear interest at market rates.

(c) Time deposits have original maturities of less than 90 days from their constitution and can be renewed at maturity. As of December 31, 2021, and December 31, 2020, these deposits earned interest calculated with market rates, and were settled in January 2022 and January 2021, respectively.

(d) As of December 31, 2021, they correspond to bank deposit certificates (hereinafter "CDI") held by Mineração Taboca S.A. for R$1,801,000 (equivalent to US$323,000) that accrue interest at a 20 percent CDI rate and have original maturities of less than 90 days (R$2,603,000 equivalent to US$501,000 as of December 31, 2020 that accrued interest at a rate of 20 percent CDI).

(e) Overnight deposits are in a foreign bank, which accrue interest at market rates.

(f) Term deposits with original maturity greater than 90 days are presented under "Other financial assets" of the interim condensed consolidated statement of financial position.

4. Trade and other receivables, net

(a) The composition of this caption is presented below:

	2021 US$(000)	2020 US$(000)
Trade (b) :		
Invoices receivable	381,168	75,865
Changes in the fair value	4,754	4,029
	385,922	79,894
Other receivables:		
Value added tax credit and other tax credits (c)	72,428	131,997
Restricted funds	9,438	109
Balance in favor of the exporter for VAT	8,116	-
Related parties, note 18(a)	2,954	3,581
Invoices receivable for the sale of other supplies and fixed assets	2,875	3,155
Judicial deposits (d)	1,244	1,292
Advances to suppliers	585	1,134
Loans to employees	112	129
Interest receivable (e)	-	1,280
Others	1,062	769
	98,814	143,446
Total	484,736	223,340
By maturity:		
Current	451,065	136,081
Non Current	33,671	87,259
Total	484,736	223,340

(b) As of December 31, 2021, and December 31, 2020, trade accounts receivable does not bear interest and do not have specific guarantees. In the estimation process for expected credit losses, Management evaluates the credit risk and individual credit limits. The evaluation is performed at each reporting date using an estimation matrix to measure the expected credit losses.

(c) As of December 31, 2021, and December 31, 2020, this caption mainly comprises the credit for the valued added tax (hereinafter "VAT") that results from the purchases of goods and services resulting from the activities of constructions and development carried out by the subsidiaries in Peru (Cumbres del Sur S.A.C. and Marcobre S.A.C.) and Brazil (Mineração Taboca S.A.) that will be compensated with the VAT payable on the operations of the subsidiaries in Peru (Marcobre S.A.C) and by the value added tax of the production activities of the subsidiary in Brazil (Mineração Taboca SA).

During 2020, the subsidiary Cumbres del Sur S.A.C. wrote off the amount of US$345,000 (equivalent to S/1,200,000), with a charge to the consolidated statement of income. Likewise, the subsidiary Cumbres del Sur S.A.C. has evaluated the recoverability of the credit balance of VAT as of December 31, 2021, for US$9,054,000 (equivalent to S/35,988,000) and considers that it will be used.

(d) As of December 31, 2021, and December 31, 2020, it corresponds to the judicial deposits held by the subsidiary Mineração Taboca S.A. corresponding to processes when liquidated through the financing of debts to the tax administration of Brazil (REFIS) and when its expects the development of the review initiated in 2014 by the Federal Revenue Secretariat of Brazil and the Attorney General's Office and the National Treasury of Brazil, to request the release and consequent lifting of the amounts deposited. During the year 2021, the release of US$285,050 was made (US$301,000 during the year 2020).

(e) As of December 30, 2021, and December 31, 2020, it is attributable to interest receivable related to time deposits.

5. Inventory, net

(a) The composition of this caption is presented below:

	2021 US$(000)	2020 US$(000)
Mined material – Marcobre (b)	163,030	49,883
Work in progress	49,993	41,504
Materials and supplies	58,297	39,008
Finished products	31,829	21,592
Mineral extracted	4,553	3,316
Inventory in transit	6,648	8,095
	314,350	163,398
Allowance for obsolescence	(2,516)	(3,819)
Allowance for impairment	(39)	-
	311,795	159,579
By maturity:		
Current	148,765	109,696
Non Current	163,030	49,883
Total	311,795	159,579

(b) As of As of December 31, 2021, and December 31, 2020, corresponds to the commercial mined material extracted as part of the stripping activities in the open pit under construction. The subsidiary Marcobre is processing this material as of August 1, 2021, the date it started commercial operations.

6. Financial assets at fair value through other comprehensive income

(a) The composition of the item is presented below:

	2021			
	Cost US$(000)	Unrealized result US$(000)	Share performance US$(000)	Fair value US$(000)
Rímac Seguros y Reaseguros (c)	21,070	(3,942)	746	17,874
BBVA Spain	14,845	(10,149)	503	5,199
Total	35,915	(14,091)	1,249	23,073

	2020					
	Cost US$(000)	Unrealized result US$(000)	Past due interest US$(000)	Share performance US$(000)	Sale of investment US$(000)	Fair value US$(000)
Rímac Seguros y Reaseguros (c)	21,070	(81)	-	746	-	21,735
BBVA Spain	14,845	(10,398)	-	503	-	4,950
Commercial papers (d)	79,867	-	1,633	-	(81,500)	-
Total	115,782	(10,479)	1,633	1,249	(81,500)	26,685

(*) Investments in BBVA Spain are considered non-current.

(b) The movement in financial assets measured at fair value through other comprehensive income is presented below:

	2021 US$(000)	2020 US$(000)
Opening balance	26,685	110,693
Unrealized results	(3,612)	(2,568)
Liquidations of deposit certificates	-	(81,500)
Earned interest of deposit certificates	-	60
Ending balance	23,073	26,685

	2021 US$(000)	2020 US$(000)
By maturity:		
Current portion	17,874	21,735
Non-current portion	5,199	4,950
Total	23,073	26,685

(c) As of December, 31, 2021, and December 31, 2020, the fair value of the investments in Rímac Seguros y Reaseguros has been determined based on their listing on the Lima Stock Exchange.

(d) The fair value of commercial papers was estimated based on discounted cash flows using available market rates for debt instruments with similar conditions, maturity, and credit risk.

(e) As of December, 30,2021, the Group received cash dividends from BBVA Spain and Rímac for US$851,000, respectively (US$132,000 in cash dividends from BBVA as of December 31,2020), which were paid to the results of the period.

(f) As of December 31, 2021, the Group has received stock dividends of US$2,106,000 from its investments in Rimac which were credited to the consolidated statement of other comprehensive income (US$1,571,000 as of December 31, 2020).

7. Investments in associates

(a) This caption is made up as follows:

	Interest in equity		Equity value	
	2021 %	2020 %	2021 US$(000)	2020 US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiaries	73.85	73.85	239,311	273,315
Futura Consorcio Inmobiliario S.A.	3.31	3.31	3,141	3,376
			242,452	276,691

(b) The net participation in the profits (losses) of its associated companies is as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	**2020**	**2021**	**2020**
	US$(000)	US$(000)	US$(000)	US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiaries	5,277	7,105	13,290	4,669
Exsa S.A. (b)	-	-	-	264
Futura Consorcio Inmobiliario S.A.	262	109	303	227
Total	5,539	7,214	13,593	5,160

(c) In April 2020, the Group sold all the shares it owned in Exsa S.A. for a total value of US$8,355,000. The net profit generated by the disposal of this investment was US$1,007,000, which was recorded in the consolidated statement of profit and loss.

(d) As of December 31, 2021, and December 31, 2020, the Group concluded that there are no impairment indicators for its investments in associates, therefore, it did not make a formal estimate of the recoverable amount.

8. **Property, plant and equipment, net**

(a) The composition and movement of this caption of the third quarter of 2021 and 2020 were as follow:

	Balance as of January 1, 2021	Additions	Mine closure update	Depreciation	Disposals (d)	Reclassifications	Translating adjustment	Balance as of December 31, 2021
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost	2,695,270	315,105	(14,450)	-	(23,180)	26,844	(19,083)	2,980,506
Depreciation	(769,961)	-	-	(148,896)	734	-	2,186	(915,937)
Impairment loss of Property, plant and equipment	(37,116)	1,742	-	-	27,798	-	7,576	-
	1,888,193	**316,847**	**(14,450)**	**(148,896)**	**5,352**	**26,844**	**(9,321)**	**2,064,569**

	Balance as of January 1, 2020	Additions	Mine closure update	Depreciation	Disposals (d)	Reclassifications	Translating adjustment	Balance as of December 31, 2021
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost	2,319,085	444,058	20,450	-	(1,652)	(8,364)	(78,307)	2,695,270
Depreciation	(703,944)	-	-	(96,393)	1,492	723	28,161	(769,961)
Impairment loss of Property, plant and equipment	(46,922)	-	-	-	-	-	9,806	(37,116)
	1,568,219	**444,058**	**20,450**	**(96,393)**	**(160)**	**(7,641)**	**(40,340)**	**1,888,193**

(b) The depreciation expense has been distributed in the consolidated statement of profit and loss as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	2020	2021	2020
	US$(000)	US$(000)	US$(000)	US$(000)
Cost of sales, note	46,867	24,404	128,952	68,451
Development cost	2,863	7,259	16,381	20,958
Preoperative	842	-	842	-
Unabsorbed costs	-	(1,981)	-	5,964
Administration expenses	158	213	725	721
Exploration and evaluation expenses	24	44	108	171
Other expenses	35	27	141	117
Selling expenses	(1)	3	5	11
	50,788	29,969	147,154	96,393

(c) As of December 31, 2021, and 2020 the mainly addition of the working progress item comprises investments related with the construction of Mina Justa (Marcobre).

(d) As of December 31, 2021 and 2020, corresponds mainly to the write-offs by product of different components of machinery and equipment due to replacement of components and write-offs due to regularization of Group assets.

(e) As of December 31, 2021, the Group made reclassifications corresponding to the capitalization of financing costs arising from intangible assets for the years 2018 to 2021 for US$72,000,000 and other development costs for US$9,000,000, under the heading of buildings and facilities for US$58,000,000 and machinery and equipment for US$22,000,000. Likewise, works in progress identified as development cost for US$53,000,000 related to the Marcobre subsidiary were reclassified.

Additionally, in the Taboca subsidiary, a transfer to intangible works in progress of US$32,000 was generated, which is related to the acquisition of new software as a result of the activation of development costs related to construction, expansion of facilities, acquisition of machinery and equipment, which were part of the works in progress that were capitalized and transferred to the definitive classes.

As of December 31, 2020, these corresponded to the designation of properties classified as non-current assets available for sale for the net cost of US$5,921,000, the capitalization of development costs related to the B2 tin tailings project that were part of the work in progress for US$1,189,000 that were capitalized and transferred to intangible assets during 2020 and other minor reclassifications mainly due to the capitalization and transfer to "Intangible assets" of work in progress related to the Mina Justa project for US$531,000.

(f) As of December 31, 2021, corresponds to the net cost of machinery and equipment under finance leases which amount to US$1,972,000,000 (US$1,439,000 as of December 31, 2020).

(g) Impairment evaluation and reversal of impairment of mining units.-

In accordance with the Group's policies and procedures, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period, to determine if there are impairment or reversal of impairment. If there are such indicators of impairment, a formal estimate of the recoverable amount is made for the recognition of an impairment or reversal of impairment, see discussion in note 10.

9. Intangible assets, net

(a) The composition and movement of this caption as of December 31, 2021, and 2020 are presented below:

	Balance as of January 1, 2021	Additions	Amortization	Disposals	Reclassifications	Translating adjustment	Reversal of impairment	Balance as of December 31, 2021
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost	732,910	83,557	-	(699)	(26,844)	(3,766)	15,050	800,208
Amortization	(57,257)	-	(39,340)	-	-	1,022	(2,768)	(98,343)
	675,653	**83,557**	**(39,340)**	**(699)**	**(26,844)**	**(2,744)**	**12,282**	**701,865**

	Balance as of January 1, 2020	Additions	Amortization	Disposals	Reclassifications	Translating adjustment	Reversal of impairment	Balance as of December 31, 2021
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost	628,630	119,122	-	(108)	1,721	(16,455)	-	732,910
Amortization	(55,210)	-	(5,936)	-	(1)	3,890	-	(57,257)
	573,420	**119,122**	**(5,936)**	**(108)**	**1,720**	**(12,565)**	**-**	**675,653**

(b) The amortization expense has been distributed in the consolidated statement of profit and loss as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	**2020**	**2021**	**2020**
	US$(000)	US$(000)	US$(000)	US$(000)
Cost of sales, note 17 (a)	15,085	2,381	23,194	5,237
Exploration expenses and studies	87	72	339	455
Mine development	9,485	35	15,045	137
Unabsorbed costs	-	(675)	-	86
Administration expenses	8	5	24	21
Inventories	738	-	738	-
	25,403	1,818	39,340	5,936

(c) As of December, 30, 2021, and 2020, the concessions and mining rights are mainly related to the concession of the subsidiaries Mineração Taboca S.A. and Marcobre.

10. Impairment evaluation of long-lived assets

In accordance with the Group's policies and procedures, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period to determine whether there is any indication of impairment or reversal of impairment, except when intangible assets with indefinite useful lives, such as goodwill recorded as part of business acquisitions, are evaluated. If there are such indications of impairment, a formal estimate of the recoverable amount is made.

In evaluating whether impairment or reversal of impairment is required, the carrying amount of the asset or CGU is compared to its recoverable amount. The recoverable amount is the higher of (i) the fair value of the CGU less costs of disposal (FVTPL) and (ii) its value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is generally difficult to obtain unless negotiations with potential buyers or similar transactions have been carried out. Accordingly, the recoverable amount for each CGU is estimated based on discounted future cash flows expected to be generated by the continued use of the CGU using metal market prices and other exchange assumptions, estimated quantities of recoverable ore, production levels, operating costs and capital requirements, and eventual asset dispositions based on the ultimate life of mine (LOM) plans. These cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Estimates of recoverable mineral quantities, production levels, operating costs and capital requirements are obtained from the planning process, including life of mine (LOM) plans, annual budgets and specific studies on each CGU.

As of December 31, 2021, the Group concluded that there is no indication of impairment or reversal of impairment at its San Rafael (tin), Pucamarca (gold mine) and Marcobre (Justa mine) units and therefore did not make a quantitative estimate of the recoverable amount for these cash-generating units.

In the case of the subsidiary Mineração Taboca S.A., as a result of the analysis of the recoverable amount performed at December 31, 2021, management recognized a recovery for impairment of long-lived assets totaling US$18,959,000 million, net of deferred taxes of US$9,767,000, arising from the evaluation of the Pitinga mining unit and the Pirapora smelting plant.

At December 31, 2021, the net book value of the Pitinga mining unit and the Pirapora smelter before reversal of impairment was US$243,256,000 (US$182,115,000 at December 31, 2020). This carrying value comprises: concessions, plant, equipment and related facilities and goodwill. As a result of the evaluation of the future cash flow generation capacity of Pitinga and Pirapora, Group management considered that it was necessary to record a reversal of the impairment loss on this cash generating unit. This conclusion is based on the assumptions detailed below, which could be modified to the extent that the assumptions used differ materially from future market conditions.

- *Key assumptions*

  The calculation of recoverable value for the Pitinga mining unit and the Pirapora smelter plant are sensitive to the following assumptions:

  - Production volumes -

    Tin production volumes are based on the resource study prepared by internal Group specialists and reviewed by independent specialists. Production volumes depend on a number of variables, such as: recoverable quantities; the production plan; the cost of developing the infrastructure necessary to extract the reserves; production costs; the contractual duration of the mining rights; and the selling price of the minerals being extracted.

    As each producing mining unit has specific reserve characteristics and economic circumstances, mine cash flows are calculated using appropriate individual economic models and key assumptions established by management.

The production plans used were consistent with the reserves and resources approved as part of the Group's process for estimating proven and probable reserves and resources.

These estimates take into account the estimated production plan for the following years. Based on these resources, the unit of the subsidiary Mineração Taboca S.A. has a production horizon of 29 years at December 31, 2021 (30 years at December 31, 2020).

- Discounted rates -

  Future cash flows were adjusted for the specific risk assigned to the related assets and have been discounted at an after-tax rate of 10 percent at December 31, 2021 and 2020 (equivalent to a pre-tax rate of 10.13%). This discount rate is determined based on the Group's after-tax weighted average cost of capital (WACC) with appropriate adjustments to reflect the specific risks of the CGU. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's shareholders. The cost of debt is based on the Group's interest-bearing borrowings. Beta factors are evaluated annually based on publicly available market data.

- Quotations -

  The subsidiary has used estimates of future metal prices obtained from international investment banks. These prices are reviewed at least annually. The estimated prices of tin, ferroniobium and ferrotantalum for the current and non-current periods, which have been used to estimate future revenues, are detailed below:

  As of December 31, 2021:

	Short term	**Long term** (average)
Tin(Sn)	US$21,200/TM	US$21,000/TM
Ferroniobio (FeNb)	US$18,404/TM	US$25,113/TM
Ferrotantalo (FeTa)	US$17,300/TM	US$24,770/TM

  As of December 31, 2020:

	Short term	**Long term** (average)
Tin (Sn)	US$18,000/TM	US$18,000/TM
Ferroniobio (FeNb)	US$18,007/TM	US$24,083/TM
Ferrotantalo (FeTa)	US$13,887/TM	US$26,777/TM

- Operating cost -

  Management has projected operating costs based on information from the CGU's last year's cost structure, changes and efficiencies achieved during the year in production and the expected effect on its production optimization project together with the development of projects to increase production.

- Useful life -

  Management believes that the useful life considered in its projection is consistent with the remaining economic life of the cash generating unit.

Consequently, as of December 31, 2021, the Group recorded a reversal of impairment amounting to US$41,418,000 (US$27,336,000 net of deferred income tax).

11. Borrowings

(a) The composition of this caption is presented below:

Entity	Warranty	Interest rate	2021	2020
			US$(000)	US$(000)
Syndicated loan, net of structuring costs (c) and (d)	With guarantees	Libor 3 months + 1.65%	763,012	765,896
Corporate bonds, net of issuance costs (e)	Without guarantees	4.50%	486,293	-
Banco de Crédito del Perú - BCP - Marcobre (f)	Without guarantees	1.13%	66,000	-
Citibank (g)	Minsur Corporate	Libor 3 months + Spread	64,740	97,000
Banco Interbank (h)	Without guarantees	0.63%	40,000	-
Bank of America (i)	Without guarantees	2.47%	35,067	-
Banco BBVA (h)	Without guarantees	1.45%	30,000	-
Banco de Crédito del Perú - BCP (h)	Without guarantees	0.65%	25,000	-
Banco Santander (j)	Without guarantees	2.15%	12,023	9,307
Banco Itaú (j)	Without guarantees	2.15%	10,119	-
Banco do Brasil (g)	With guarantees	1.72% - 2.45%	9,318	33,116
Banco Santander (k)	With guarantees	Libor 3 months + Spread	7,280	7,390
Finance leases (l)	Without guarantees	1.30% - 3.05%	2,328	1,503
Corporate bonds, net of issuance costs (e)	Without guarantees	6.25%	-	444,879
Banco ABC (j)	Without guarantees	5.00%	-	1,701
			1,551,180	1,360,792
By maturity:				
Current			414,799	150,923
Non Current			1,136,381	1,209,869
			1,551,180	1,360,792

(b) The following is the movement of financial obligations:

	2021	2020
	US$(000)	US$(000)
Opening balance	1,360,792	1,095,387
Corporate bond issue 2031 - Minsur (d)	500,000	-
Obtaining a syndicated loan - Minsur (e)	300,000	-
Obtaining a syndicated loan - Marcobre (c)	108,000	270,000
Obtaining bank promissory notes - Minsur (h)	95,000	-
Obtaining promissory note - Marcobre (f)	66,000	-
Obtaining loans ACC - Taboca (j)	48,059	72,190
Obtaining a loan Bank of America - Taboca (i)	35,067	-
Obtaining financial leases - Minsur (l)	2,255	1,864
Amortized cost	9,429	(4,938)
Prepayment of corporate bonds 2024 - Minsur (c)	(450,000)	-
Payment of syndicated loan - Minsur (c)	(300,000)	-

Syndicated loan payments - Marcobre (c)	(115,000)	-
Payment of loans ACC - Taboca (j)	(61,955)	(68,877)
Payment of loans Citibank - Taboca (g)	(32,260)	-
Corporate bond issuance costs 2031 (c)	(13,899)	-
Payment of finance leases	(1,430)	(361)
Translation	1,122	(4,473)
Ending balance	1,551,180	1,360,792

(c) On August 15, 2018 the subsidiary Marcobre subscribed a syndicated loan with a group of lenders composed by Export Development Canada; Export Finance and Insurance Corporation; KFW IPEX-Bank GMBH; The Export-Import Bank of Korea; Banco Bilbao Viscaya Argentaria, S.A .; Hong Kong, Banco de Crédito del Peru; BBVA Banco Continental; Credit Agricole Corporate and Investment Bank; ING Bank (a Branch of ING-DIBA AG); ING Capital LLC; Natixis London Branch; Natixis New York Branch, Société Génerale; and Banco Bilbao Viscaya Argentaria, S.A., New York Branch, for which it obtained a credit line of US$900,000,000; this loan has been used for the development and construction of Mina Justa with a variable interest rate of Libor for three months of 0.13% as of December 30, 2021 plus an average fixed margin of 1.57% (0.22% plus an average fixed margin of 1.57% as of December 31, 2020). To obtain this loan, the subsidiary Marcobre counted as guarantors with Minsur S.A. and Empresas Copec S.A. Until December 30, 2021, the subsidiary Marcobre has received the entire syndicated loan for US$900,000,000 (US$792,000,000 as of December 31, 2020), and during the month of December 2021 has made a principal repayment of US$115,000,000.
During the loan period, Marcobre must comply with the following conditions agreed in the loan agreement:

- Notify to the guarantor agent of any revision of the Mining Plan. In addition, the subsidiary Marcobre may not, without the consent of the lenders, use the project funds in an amount exceeding US$2,500,000 in any period to pay the costs incurred in connection with mining concessions other than strategic mining concessions.

- Notify the guarantee agent before incurring capital expenditures during any fiscal year that exceeds US$20,000,000 above the total capital expenditures budgeted in the annual budget and the operating plan in effect for that fiscal year.

As of December 31, 2021, and December 31, 2020, the subsidiary Marcobre has complied with the financial restrictions of the signed contract.

As of December 31, 2021, and December 31, 2020, the subsidiary Marcobre has established mortgages and pledges for all of its property, plant and equipment and its intangible assets as collateral for the subscribed syndicated loan.

(d) At December 31, 2021, the subsidiary Marcobre incurred debt structuring costs of US$41,615,000 (US$41,581,000 at December 31, 2020) related to obtaining the US$900,000,000 credit facility. As of December 31, 2021, the Company has received the full amount of the credit line for US$900,000,000 (US$792,000,000 as of December 31, 2020) and therefore has recognized a reclassification of costs of services and taxes contracted in advance related to such proportion in the amount of US$41,615,000 (US$36,591,000 as of December 31, 2020). Also, as of December 31, 2021, it has recognized a debt structuring cost based on the interest of the syndicated loan, calculated based on the Libor curve, in the amount of US$19,550,000 (US$10,487,000 as of December 31, 2020).

(e) The General Meeting of Shareholders of January 30, 2014, agreed that the Group should issue an international bond issue ("Senior Notes") through a private placement under Rule 144 A and Regulation S of the US Securities Act of 1933. He also agreed to list these bonds on the Luxembourg Stock Exchange. On January 31, 2014, the Group issued bonds with a nominal value of US$450,000,000 due on February 7, 2024 at a coupon rate of 6.25 percent, obtaining a net collection under the pair of US$441,823,500.

On June 24, 2021, the Company subscribed a syndicated loan with Bank of America N.A. and Banco Santander S.A. for US$300,000,000, of which on July 5, 2021 the Company allocated US$263,777,000 for the first prepayment of its debt instrument: "6.250% Senior Notes Due 2024"; also, for prepayment and expenses associated with the transaction the Company has recognized US$23,160,000 in the financial costs item of the consolidated statement of income.

The General Meeting of Shareholders of October 18, 2021, resolved that the Company issue debt securities ("Senior Notes") through a private placement under Rule 144A and Regulation S of the US Securities Act of 1933. Also, it agreed to list these notes on the Singapore Stock Exchange. On October 25, 2021, the Company issued US$500,000,000 par value notes due October 28, 2031 at a coupon rate of 4.50 percent per year with interest payable semi-annually, raising net proceeds under par of US$488,140,000. The amounts obtained from the issuance were used to pay off the remaining balance of its debt instrument: "6.250% Senior Notes Due 2024", making a second and third prepayment of US$46,474,000 on October 28, 2021 and US$139,949,000 on December 28, 2021, respectively. In addition, the Company has recognized US$20,355,000 for the prepayment premium and expenses associated with the transaction in the financial costs caption of the separate statement of income.

On November 2, 2021, the Company paid the syndicated loan subscribed with Bank of America N.A. and Banco Santander S.A. for US$300,000,000 which caused the Company to recognize the structuring costs associated with the loan for US$3,240,000 in the financial costs line item of the separate statement of income.

Corporate bonds restrict the ability of the Group to perform certain transactions; however, these restrictions do not condition the Group to comply with financial ratios or maintain specific levels of liquidity.

(f) On April 27, 2021, the subsidiary Marcobre signed a short-term loan with Banco de Crédito del Perú for an amount of US$66,000,000. This loan has been used as working capital which will be paid in a single payment of interest and principal at maturity. The note matures in April 2022 and accrues a fixed annual interest rate of 1.13%.

(g) Corresponds to "prepaid export - PPE" loans obtained by the subsidiary Minera Taboca during 2017, whose maturity dates will be in December 2023, the financing was carried out with the objective of reducing part of its debts short-term and improve cash flow in this subsidiary.

(h) In May 2021, the Company has received US$95,000,000 through bank promissory notes to finance its working capital, which will be paid in a single payment of interest and principal upon maturity. The settlement date of the Banco Interbank promissory note is August 2021, while the promissory notes provided by Banco BBVA and BCP mature in May 2022.

(i) Corresponds to loans of type "LOAN-4131 – Bank of America" obtained by the subsidiary Mineração Taboca S.A. in the first quarter of 2021, maturity dates are in February 2026, the financing was carried out with the objective of reducing part of its debts short-term and improve cash flow in this subsidiary.

(j) They correspond to loans of the type "advance of exchange contracts -ACC", obtained by the subsidiary Minera Taboca to finance their working capital and contracted in relation to their export operations, which also constitute the guarantees of the financed amounts.

(k) Corresponds to "prepaid export - PPE" loans obtained by the subsidiary Minera Taboca during 2020, whose maturity dates will be in November 2024 and November 2025, the financing was carried out with the objective of reducing part of its debts short-term and improve cash flow in this subsidiary.

(l) As of December 31, 2021, and December 31, 2020, the Group has financial leases with Banco de Crédito del Perú and Scotiabank del Perú for the purchase of machinery at a weighted average rate of 2.91% and 1.53%, respectively, with maturities between years 2022 and 2023.

(m) As of December 31, 2021, and December 31, 2020, the Company maintains joint and several surety bonds for US$190,625,000 that guarantee the financing and other operations of its subsidiary Mineração Taboca S.A. with the following financial institutions:

Counterpart	**Endorses:**	**US$(000)**	**Maturity**
Citibank	Credits	64,615	December 2023
Bank of America NA	Credits	35,000	February 2026
Banco do Brasil	Credits	20,000	No expiration
Banco Itaú	Credits	10,000	No expiration
Banco Santander Brasil	Credits	10,000	No expiration
Banco Santander España	Credits	8,000	September 2025
Bradesco	Credits	5,000	No expiration
Merryl Lynch International	Derivative instruments	15,000	No expiration
JP Morgan Chase Bank NA	Derivative instruments	10,000	No expiration
Banco Itaú	Derivative instruments	10,000	No expiration
Citibank	Derivative instruments	3,010	December 2023
Total		190,625	

12. Provisions

The composition of this caption is related with the provisions for mine closure, environmental remediation, contingencies, performance bonuses and other provisions. The mainly variation during the third quarter of 2021 is explained by the update of provision of the mine closures.

13. Income tax

(a) The Group calculates income tax for the period using the expected effective rate that would be applicable to annual results, the main components of income tax expense shown in the Interim consolidated income statements is composed as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	2020	2021	2020
	US$(000)	US$(000)	US$(000)	US$(000)
Income tax				
Current	(80,614)	(14,777)	(173,832)	(42,459)
Deferred	(45,123)	(38,238)	(158,529)	(26,607)
	(125,737)	(53,015)	(332,361)	(69,066)
Mining royalties and special mining tax				
Current	(69,024)	(4,112)	(126,484)	(11,149)
Deferred	(26,020)	9,039	(14,847)	(2,518)
	(95,044)	4,927	(141,331)	(13,667)
	(220,781)	(48,088)	(473,692)	(82,733)

As a result of the evaluation of the income tax calculation methodology in accordance with IAS 34, the third quarter of 2021 and 2020 have been modified as detailed in note 2.

(b) As of December 31, 2021, the Group maintains an income tax prepayment of US15,728,000 and an income tax payable of US$76,625,000. As of December 31, 2020, the Group maintains an income tax prepayment of US$6,272,000.

(c) Deferred income tax on investments in associates -

The Group does not record the deferred income tax asset related to investments in its associates Inversiones Cordillera del Sur Ltda., Futura Consorcio Inmobiliario S.A.C. and Cordillera del Sur due to: (i) Inversiones Breca and subsidiaries have joint control of those companies, which operate as part of the economic group and, (ii) the Group has the intent and the ability to hold these investments in the long-term. Consequently, Management believes that the temporary difference will be reversed through dividends to be received in the future, which according to current tax rules are not subject to income tax. There is no legal or contractual obligation for the Group's Management to be forced to sell its investment in associates.

For information purposes, temporary differences on investments in associates would generate a deferred income tax asset amounting to US$6,150,000 at December 31, 2021 (US$8,602,000 at December 31, 2020), which has not been recognized in the Group's interim condensed consolidated financial statements.

14. Equity

a) Non-controlling interest contributions

As of September 30, 2021, and 2020, the Group received contributions of the total non-controlling interest of US$41,000,000 and US$95,240,000, respectively, as part of the financing of the Mina Justa project and other mineral exploration projects.

b) Declared and paid dividends

Below is information on dividends declared and paid for the year 2021:

	Date	Dividends declared and paid	Dividends by common share	Dividends per investment share
		US$(000)	US$(000)	US$(000)
Dividends 2021				
Shareholders' meeting	May 17, 2021	250,000	8.6715	0.08672
Shareholders' meeting	November 17, 2021	250,000	8.6715	0.08672

During 2020, the Group has not declared dividends.

15. Tax situation

As of December 31, 2021, there are no significant changes in the tax situation of Minsur and subsidiaries.

16. Net sales

(a) The composition of this caption is presented below:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	**2020**	**2021**	**2020**
	US$(000)	US$(000)	US$(000)	US$(000)
Tin and other minerals	357,028	151,367	1,020,829	465,217
Copper concentrate	419,389	-	698,124	-
Gold	30,300	42,431	121,239	136,745
Copper cathodes	59,642	-	92,736	-
Niobium and tantalum	21,202	9,697	72,177	47,219
	887,561	203,495	2,005,105	649,181

(b) Tin Sales Concentration - Peruvian Market -

During 2021, the three main customers represent 40 percent of total sales (37 percent in 2020) in the Peruvian market. As of December 31, 2021, 39 percent of accounts receivable correspond to these customers (43 percent as of December 31, 2020).

(c) Tin Sales Concentration - Brazilian Market –

During 2021, the three main customers represent 53 percent of total sales (57 percent in 2020) in the Brazilian market. At December 31, 2021, 68 percent of accounts receivable correspond to these customers (15 percent at December 31, 2020).

(d) Gold sales concentration -

In 2021, the Group sold gold to 2 customers (5 customers in 2020). As of December 31, 2021, 100 percent of accounts receivable correspond to these customers (100 percent as of December 31, 2020).

(d) Concentration of sales of niobium and tantalum –

During 2021, the three main customers represent 63 percent of total sales (65 percent in 2020). As of December 31, 2021, 71 percent of accounts receivable correspond to these customers (30 percent as of December 31, 2020).

(e) Concentration of copper cathode sales –

In 2021, the three main customers represent 88 percent of total sales. As of December 31, 2021, 100 percent of accounts receivable correspond to these customers.

(f) Concentration of copper concentrate sales -

In 2021, the top three customers account for 48 percent of total sales. As of December 31, 2021, 45 percent of accounts receivable correspond to these customers.

17. Cost of sales

(a) The composition of this caption is made up as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021	2020	2021	2020
	US$(000)	US$(000)	US$(000)	US$(000)
Opening balance of product in process inventory	159,950	43,714	125,116	47,884
Opening balance of finished product inventory	61,270	13,605	47,403	26,232
Services rendered by third parties	69,856	35,943	182,066	95,125
Wages and salaries	51,291	26,535	144,163	83,380
Depreciation	49,569	27,783	139,560	82,162
Consumption of raw material and miscellaneous supplies	55,353	23,355	150,493	73,091
Purchase of mining services from AESA S.A.	10,587	6,837	39,531	22,407
Costs not absorbed by normal production capacity	-	(2,206)	-	19,677
Electricity	8,595	3,998	24,028	13,167
Amortization, note 9(b)	15,085	2,381	23,194	5,237
Insurance	3,050	1,831	3,050	1,831
Purchase of explosives from Exsa S.A.	-	-	-	1,136
Recovery (estimate) for obsolescence	(794)	91	(1,144)	516
Taxes and rates	-	401	-	401
Out of inventory	351	63	366	93
Other manufacturing expenses	(2,284)	3,252	22,827	7,346
Recovery of estimation due to devaluation of inventories	2	(577)	40	(577)
Losses on hedging derivatives	3,458	18,650	3,458	18,650
Stripping cost	(10,463)	-	(25,602)	-
Final balance of work in process inventory, note 8	(202,550)	(44,820)	(202,550)	(44,820)
Final balance of finished product inventory, note 8	(31,829)	(21,592)	(31,829)	(21,592)
	240,497	139,244	644,170	431,346

18. Related parties' transactions

(a) Accounts receivable, payable and lease liability -

The balances of the receivable and payable with related parties as of December 31, 2021 and December 31, 2020 are as follow:

	2021	2020
	US$(000)	US$(000)
Classification by existing captions:		
Other receivables (current), note 4(a):		
Other related parties		
Compañía Minera Raura S.A.	2,248	2,798
Administración de Empresas S.A.	693	769
Clínica Internacional S.A.	13	14

	2021 US$(000)	2020 US$(000)
	2,954	3,581
For paying commercial and various (current)		
Other related parties		
Administración de Empresas S.A.	4,895	6,676
Clínica Internacional. S.A.	666	1,523
Brein Hub S.A.C.	664	120
Tecnológica de Alimentos EEFF Separados	275	
Terpel Comercial del Peru S.R.L.	243	410
Inversiones San Borja S.A.	241	84
Compañía Minera Raura S.A.	226	210
Rímac Seguros y Reaseguros	117	2,447
Corporación Peruana de Productos Químicos S.A.	59	14
Protección Personal S.A.C.	57	42
Centria Servicios Administrativos S.A.	14	1
Rímac S.A. Entidad prestadora de salud	7	312
Corporación Breca S.A.C.	4	1
Inversiones Nacionales de Turismo S.A.	3	93
	7,471	11,933

There have been no guarantees provided or received from accounts receivable or payable with related parties. As of December 31, 2021, and December 31, 2020, the Group has not recorded any impairment of accounts receivable related to amounts owed by related parties. This evaluation is carried out each year by examining the financial situation of the related party and the market in which the related party operates.

Balances payable to related companies are current due, do not accrue interest and do not have specific guarantees.

(b) Remunerations -

The compensation received by key personnel of the Group as of December 31, 2021 and 2020 has been recognized as an expense in the consolidated condensed interim financial statement of profit or loss and there are as follows:

	For periods of three months ended December 31,		For periods of twelve months ended December 31,	
	2021 US$(000)	2020 US$(000)	2021 US$(000)	2020 US$(000)
Perú				
Remuneration	6,234	7,528	35,428	29,767
Directors' allowance	134	133	530	530
	6,368	7,661	35,958	30,297
Brasil				
Fixed remuneration	489	(5)	1,293	719
	489	(5)	1,293	719
Total	5,879	7,666	34,665	29,578

19. Commitments

a) Commitment of capital expenditures:

The capital expenditure that will be paid and recognized in the future related to the Mina Justa mining unit, agreed at the date of the consolidated statement of financial position is as follows:

	2021	2020
	US$(000)	US$(000)
Property, plant and equipment	43,916	280,500

20. Contingencies

In 2010, the National Indian Assistance Foundation and Associacao dos Povos Indigenas Tenharim Igarapé Petro (as assistant) against Paranapanema filed a lawsuit against our subsidiary Taboca. The cause of action is alleged damaged to indigenous population related to mining activities in the70's and 80's, which supposedly ceased without proper recovery in the area. This lawsuit refers to events prior to the purchase of Taboca by Minsur. Accordingly, because of notifications exchanged, from the beginning, Paranapanema accepted the burden to act on behalf of both Defendants in the case.

Recently, a first instance decision was rendered to award both companies jointly liable to draft and execute a technical plan to remedy the location from an indigenous population perspective, under penalty of daily fines. No payment of compensation is due, although Plaintiffs still dispute it. Currently the award is limited to covenant (to do) measures, which are illiquid. Both sides filed motions for clarification which are pending to be decided. Terms for filing appeals are yet to be started. Experience shows that appeals will be filed and a final discussion on: (i) whether or not liability shall apply; (ii) the extension of liability; and (iii) which and how to implement remediation measures will be time consuming. It is more likely than not that a final decision will only be known after many years (in some cases up to 5-10 years).

In parallel, as (a) the events occurred in the 70's and 80's prior to the acquisition of Taboca by Minsur, as well as (b) Paranapanema agreed to defend both companies in the lawsuit, there are very good grounds to understand that Paranapanema should have in full the burden to bear the costs and execute the technical study and its implementation. Should Paranapanema fail to act accordingly, Taboca will be entitled to exercise a right of recourse. Considering the uncertainty and the complexity of this contingency, it cannot be quantified and recognized at the date of this report.

As of December 31, 2021, there were no significant changes in the contingencies of Minsur and subsidiaries in addition to the contingency mentioned before.

21. Segment information

Management has determined the operating segments of the Group based on the reports used for decision making. Management considers business units based on their products, activities, and geographical location:

- Production and marketing of tin extracted from Peru.
- Production and marketing of tin extracted from Brazil.
- Production and marketing of gold extracted from Peru.
- Production and marketing of copper extracted from Peru.
- Other mining exploration and development activities in Peru and Chile.

No operating segments have been aggregated to form the above reportable operating segments. All the non-current assets are in Perú, Brazil and Chile. Management monitors the profit (loss) before tax for each business units separately for the purpose of making decisions about resource allocation and performance assessment. The financial performance of a segment is evaluated based on income (loss) before income taxes and is measured consistently with income (loss) before income taxes in the consolidated statements of income.

	Tin and Gold (Peru)								
	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Not distributable (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brasil) US$(000)	Copper (Perú) US$(000)	Mining exploration (Perú y Chile) US$(000)	Adjustments and Eliminations US$(000)	Total Consolidated US$(000)
As of December 31, 2021									
Results:								-	
Entry of external customers	892,101	121,239	-	1,013,340	200,905	790,860	-	-	2,005,105
Sales cost	(297,018)	(79,716)	-	(376,734)	(149,780)	(117,656)	-		(644,170)
Administration expenses	(46,431)	(12,461)	-	(58,892)	(11,333)	(5,487)	(827)	1,086	(75,453)
Selling expenses	(7,539)	(715)	-	(8,254)	(2,891)	(23,601)	-		(34,746)
Exploration expenses and studies	(11,785)	(106)	-	(11,891)	-	(6,137)	(5,708)	42	(23,694)
Reversal of impairment	-	-	-	-	41,418	-	-		41,418
Others, net	(7,966)	(2,138)	-	(10,104)	14,029	125	(328)	(1,130)	2,592
Operating income	521,362	26,103	-	547,465	92,348	638,104	(6,863)	(2)	1,271,052
Profit before income tax	-	-	747,328	747,328	73,767	627,196	(8,030)	(265,593)	1,174,668
Income tax	-	-	(196,083)	(196,083)	(24,965)	(252,680)	36		(473,692)
Net profit	-	–	551,245	551,245	48,802	374,516	(7,994)	(265,593)	700,976
Other disclosures:									
Additions to property, plant and equipment, right-of-use assets and intangible assets	92,015	43,032	339	135,386	33,677	230,277	-	-	399,340
Depreciation and amortization (included in costs and expenses)	56,870	33,058	1,617	91,545	19,444	27,512	43	-	138,544

	Tin and Gold (Peru)								
	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Not distributable (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brasil) US$(000)	Copper (Perú) US$(000)	Mining exploration (Perú y Chile) US$(000)	Adjustments and Eliminations US$(000)	Total Consolidated US$(000) Re-expresado Nota 2.5
As of December 31, 2020									
Results:									
Entry of external customers	365,085	136,745	-	501,830	147,351	-	-	-	649,181
Sales cost	(223,928)	(73,378)	-	(297,306)	(134,040)	-	-	-	(431,346)
Administration expenses	(25,027)	(8,201)	-	(33,228)	(12,567)	-	(688)	1,052	(45,431)
Selling expenses	(3,891)	(1,348)	-	(5,239)	(1,997)	-	-	-	(7,236)
Exploration expenses and studies	(5,278)	(424)	-	(5,702)	-	(4727)	(2,312)		(12,741)
Others, net	355	116	-	471	(1,826)	1,612	(969)	(1,052)	(1,764)
Operating income	107,316	53,510	-	160,826	(3,079)	(3,115)	(3,969)	-	150,663
Profit before income tax	-	-	69,622	69,622	(37,973)	(11,094)	(5,818)	65,705	80,442
Income tax	-	-	(62,786)	(62,786)	(1,796)	(18,470)	319	-	(82,733)
Net profit	-	-	6,836	6,836	(39,769)	(29,564)	(5,499)	65,705	(2,291)
Other disclosures:									
Additions to property, plant and equipment, right-of-use assets and intangible assets	60,115	25,068	176	85,359	17,369	492,611	-	-	595,339
Depreciation and amortization (included in costs and expenses)	47,134	27,670	1,944	76,748	19,345	-	23,631	-	119,724

22. Financial instrument risk management, objectives, and policies

23.1 Financial risk factors

The Group's main financial liabilities, other than derivatives, comprise financial liabilities, trade payables and other payables. The main purpose of the financial liabilities is to finance the Group's operations. The Group's main financial assets include cash and term deposits and trade and other receivables that derive directly from its operations. The Group also holds financial assets at fair value through other comprehensive income.

Due to the nature of its activities, the Group is exposed to market, credit, liquidity and capital management risks, which are managed by senior management through a process of continuous identification, measurement and monitoring, subject to limits of risk and other controls. This risk management process is critical for the continued profitability of the Group and each person within the Group is responsible for risk exposures related to their responsibilities. The independent risk control process does not include business risks such as changes in the environment, technology and industry, which are monitored through the strategic planning process of the Group.

(i) Market risks:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices involve three types of risk: the risk of exchange rate, the interest rate risk and price risk. Financial instruments affected by market risk include bank deposits and time deposits, receivables and payables in currencies other than US dollar, financial asset at fair value, financial derivative instruments and borrowings.

The relevant sensitivity analyzes included in the following sections relate to the consolidated financial situation as of December 31, 2021 and December 31, 2020.

This sensitivity analyzes have been prepared on the basis that the amount of debt, the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants as of December 31, 2021 and December 31, 2020.

Foreign currency risk –

The Group operates internationally and its exposure to exchange risk results from its operations carried out in currencies other than its functional currency. The transactions of the Group are mainly settled in U.S. dollars, Brazilian reals and soles. Although to a lesser extent, the Group also has operations in other currencies such as Chilean pesos. As a result, the Group is exposed to the foreign exchange risk fluctuation.

Management assumes the foreign exchange risk with the proceeds from operations, it means, it does not engage in significant hedging transactions with derivative financial instruments to hedge its foreign exchange risk except for a significant portion of its operating costs denominated in Brazilian reais in its subsidiary Taboca.

The following table shows the sensitivity in the results of the Group on December 31, 2021 and 2020 if the Brazilian reals and Peruvian soles had revalued/devalued 10 percent with respect to US dollar.

Year	Potential increase/decrease	Effect on profit before income tax US$(000)
2021	10%	3,764
	-10%	(3,764)

2020	10%	(17,716)
	-10%	17,716

Interest rate risk –

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

As of December 31, 2021 and September 30, 2020 the Company's corporate bonds have a fixed effective interest rate, except for the subsidiaries Mineração Taboca and Marcobre, which have entered into loan agreements at variable interest rates to mitigate the risk of interest rate variation, in this regard, the Group has entered into derivative financial instruments, consequently, Management has assessed that it is not relevant to perform a sensitivity analysis to future changes in interest rates.

Price risk –

Investments

The Group is not exposed to the risk of fluctuations in the prices of its investments held and classified in its consolidated statement of financial position as at fair value through profit or loss. Management diversifies its investment portfolio in order to reduce its exposure to price risk. The portfolio is diversified in accordance with limits established by management.

As of December 31, 2021 and 2020, the Group has no balances in financial assets at fair value through profit or loss.

Risks in mineral price fluctuations–

Investments

The international tin price has a significant impact on the results of operations of the Group. These tin and gold prices historically have fluctuated and are influenced by factors beyond the control. The Group manages its price risk primarily through the use of sales commitments under customer contracts and underwriting derivative contracts for the metals it markets.

The Group has price risk from its sales contracts established at provisional prices, subject to a future price in a given month, based mainly on the average monthly price in the LME. To the extent that the final price is higher or lower initially provisionally recorded, the increase or decrease in income is recorded at each date of the financial report until the date of the final settlement.

The Company and the subsidiary Mineração Taboca S.A. entered into derivative contracts that qualify as cash flow hedges, with the intention of covering the risk resulting from the fall in prices of tin and gold. These derivative contracts were recorded as assets or liabilities in the statement of financial position and are presented at fair value. To the extent that these hedges were effective to offset future cash flows from the sale of related production, changes in fair value were deferred in an equity account. Deferred amounts were reclassified to sales when the corresponding production was sold. As a result of these operations, the Group maintains positions receivable and payable).

The table below summarizes the impact on income before income taxes of changes in the Company's tin price (excluding the subsidiary Mineração Taboca S.A. which has derivative financial instruments to hedge this risk). This analysis is based on the assumption that the tin price has increased or decreased by 10 percent, with all other variables held constant. For the 2021 positive scenario an average quotation of US$/TM43,788- (average quotation of US$/TM22,939 for 2020) was considered; while for the negative scenario an average quotation of US$/TM35,826 (average quotation of US$/TM18,768 for 2020) was considered.

Year	Potential increase/decrease	Effect on profit before income tax US$(000)
2021	10%	11,674
	-10%	(11,674)
2020	10%	4,743
	-10%	(4,743)

As of December 31, 2021, the Group sold gold dore bars in some cases at a provisional price. The table below summarizes the impact on profit before income tax from changes in the price per ounce of gold and silver contained in the gold dore bar. This analysis assumes that the price of the ounces contained in gold dore bars have increased or decreased by 10 percent at the end of the year, while the rest of the variables remain constant. For the 2021 positive scenario an average price of US$2,010 per ounce of gold was considered (average price of US$2,082 per ounce of gold for 2020); while for the negative scenario an average price of US$1,645 per ounce of gold was considered (average price of US$1,704 for 2020).

Year	Potential increase/decrease	Effect on profit before income tax US$(000)
2021	10 %	4,267
	-10 %	(4,267)
2020	10%	3,809
	-10%	(3,809)

With the beginning of the commercial operation of the Marcobre subsidiary and considering that the international copper price has a material impact on the subsidiary's results of operations, copper prices have historically fluctuated and are affected by numerous factors beyond its control. Copper prices have historically fluctuated and are affected by numerous factors beyond its control. In this regard, the Marcobre subsidiary manages its price risk principally through the use of sales commitments within customer contracts and by entering into derivative contracts for the metals it trades.

The subsidiary has a price risk through its contracts for the sale of copper concentrate at provisional prices, subject to a forward price in a given month, based principally on the average monthly quotation published on the LME. To the extent that the final quotations are higher or lower than those initially recorded on a provisional basis, the increase or decrease in revenue is recorded at each financial reporting date until the date of the final quotation.

The table below summarizes the impact on earnings before income taxes of changes in the copper price of the Marcobre subsidiary. This analysis is based on the assumption that the copper price has increased or decreased by 10 percent, while all other variables remain constant. For the 2021 positive scenario an average quotation of US$/MT 10,482 was considered, while for the negative scenario an average quotation of US$/MT 8,576 was considered.

Year	Potential increase/decrease	Effect on profit before income tax US$(000)
2021	10 %	70,635
	10 %	(70,635)

(ii) Credit risk-

The Group's financial assets potentially exposed to concentrations of credit risk consist primarily of deposits with banks and trade accounts receivable. With respect to deposits with banks, the Group reduces the likelihood of significant concentrations of credit risk because it maintains its deposits in first-class financial institutions and limits the amount of credit risk exposure in any one financial institution.

There are no significant concentrations of trade accounts receivable. The Group has established policies to ensure that the sale of its production is made to customers with adequate credit history. The maximum exposure to credit risk for the components of the consolidated financial statements as of December 31, 2021 and 2020 is represented by the sum of cash and cash equivalents, trade and other receivables.

Financial instruments and bank deposits –
The credit risk of the bank balance is managed by the Administration and Finance Management in accordance with the Group's policies. Counterparty credit limits are reviewed by Management and the Board of Directors. The limits are established to minimize the concentration of risk and therefore mitigate financial losses from potential counterparty defaults.

Trade accounts receivable –
Customer credit risk is handled by Management, subject to duly established policies, procedures and controls. Outstanding trade receivables are periodically reviewed and classified according to the credit risk profile with credit limits to ensure their recovery. The Group's sales of tin and gold are made to foreign customers located mainly in Europe and the Americas, respectively, and since there is no significant concentration of sales, exposure to credit risk is limited.

On the other hand, according to management's assessment, the aging analysis of trade receivables as of December 31, 2021 with respect to December 31, 2020 has not suffered significant delays. The Group's management will continue to closely evaluate the impact of the health emergencies in the international economy and the impact on the customer portfolio and its credit behavior.

Other accounts receivable–
Other receivables different from the tax credit for general sales tax and other tax credits correspond to balances pending collection for items that are not related to the Group's main operating activities. Group management continuously monitors the credit risk of these items and periodically evaluates those accounts that show evidence of impairment to determine the required allowance for doubtful accounts.

(iii) Liquidity risk –
Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents, the availability of financing through an appropriate number of committed financing sources and the ability to close market positions. In this regard, the Group does not have significant liquidity risks since historically the cash flows from its operations have allowed it to maintain sufficient cash to meet its obligations.

The Group continuously monitors its liquidity reserves based on an analysis of its working capital (liquidity ratio) and cash flow projections that take into consideration the future prices of the products it sells and the costs required for their production and sale.

23. Financial derivative instruments

(a) Since interest payments for loans obtained by the subsidiary Marcobre during the year 2018 are subject to variations due to being indexed at a variable interest rate, the Group decided to take a hedging strategy called bottom layer hedge or layered hedging strategy, by which it prospectively covers the Group's cash flows, which qualify as highly probable forecast transactions, with three different tranches (with swaps and caps options) distributed as follows:

- Tranche 1: From December 31, 2018 to June 30, 2021, it covers 50% with a swap and 20% with the cap N° 1.
- Tranche 2: Between June 30, 2021 and June 30, 2023, cover 35% with a swap and 45% with the cap N° 1.
- Tranche 3: After June 2023 until December 31, 2025 covers 80% with the cap N° 2.

(b) These "interest rate Cap" and "interest rate swap" contracts were signed for a maximum amount of US$ 720,000,000, thereby hedging 80% of the loan from the subsidiary Marcobre.

The total cost of the premiums for the Cap N° 1 and Cap N° 2 options incurred in 2018 were US$3,964,000 that will accrue during the term of the options. The payment of the premium for the options was financed over a period of 4 years. The amount payable as of December 31, 2021 amounts to US$865,000 (US$2,117,000 as of December 31, 2020).

Entity	Value Reference (maximum) US$(000)	Agreed rate %
Natixis Bank		
Interest Rate Swap	450,000	2.866%
Societe Generale Bank		
Interest Rate Cap N°1	405,000	3.332%
Interest Rate Cap N°2	208,526	3.362%

		Hedged value	
		2021 US$(000)	2020 US$(000)
Cash flow hedges -			
Interest rate swap (d)	From December 2018 to June 2023	1,686	1,340
Cap 1 – Interest rate (d)	From December 2018 to June 2023	2,168	1,309
Cap 2 – interest rate (d)	From September 2023 to September 2025	4,679	1,579
Total		8,533	4,228

(c) As of December 31, 2021, the Group through its subsidiary Marcobre has recognized an account payable for the fair value of the derivative financial instruments in the amount of US$ 5,960,000 of which US$ 4,954,000 has current maturity and US$1,006,000 has non-current maturity (US$17,287,000 as of December 31, 2020 of which US$10,347,000 current maturity and US$7,041,000 of non-current maturity), whose impact on other comprehensive income was as follows:

	Effect on other comprehensive income (expense)	
	2021	2020
	US$(000)	US$(000)
Derivatives of interest rates -		
Interest rate swap	(11,428)	5,012
Cap 1 – Interest rate	-	(4,323)
Cap 2 – interest rate	-	(2,563)
Intrinsic Value of Premium Caps	(1,089)	3,863
Other effects		(540)
	(12,517)	1,449
(-) Deferred income tax	3,254	(377)
Net effect	(9,263)	1,072

The subsidiary Mineração Taboca S.A. maintains derivative financial instruments, exchange rate swaps, Zero Cost Collar of exchange rate and NDF (Non-Deliverable Forward) with the objective of protecting and managing the risks inherent in the variation of foreign currency (dollar in the case of Mineração Taboca S.A.) and tin prices. These operations aim to reduce the exchange exposure and the significant changes in the prices of raw materials. At December 31, 2021, the net fair value of these Zero Cost Collar and NDF amounts to US$6,103,094 (equivalent to R$32,895,190) (US$4,161,000 equivalent to R$21,622,528 at December 31, 2020) and Swap amounts to US$84,706 (equivalent to R$456,559) (US$5,338,000 equivalent to R$27,739,000,000 at December 31, 2020).

(d) Gold price hedge –

The Company signed contracts that include derivative financial instruments with the objective of reducing the risk on cash flows attributable to the fluctuation of the gold price, from January 2020 to December 2024.

The Company has designated these derivatives as cash flow hedges, given that it has determined that there is an adequate economic relationship between the hedging instruments and the hedged items, which are highly probable.

Below is the composition of the transactions to be settled that are part of the liability for an instrument derived from coverage as of December 31, 2021 and December 31, 2020:

2021						
Metal	**Instrument**	**Expiration period**	**Covered volume** Oz	**Agreed price** US$/oz	**Estimated price** US$/oz	**Fair value** US$(000)
Gold	**Zero Cost Collar**	2022	55,740	1,450 – 1,700	1.918	(7,242)
		2023	52,941	1,450 – 1,746	1.935	(7,155)
		2024	32,000	1,450 – 1,775	1.953	(4,200)
						(18,597)

2020						
Metal	**Instrument**	**Expiration period**	**Covered volume** oz	**Agreed price** US$/oz	**Estimated price** US$/oz	**Fair value** US$(000)
Gold	**Zero Cost Collar**					
		2021	46,900	1,450 – 1,639	1,902	(14,996)
		2022	55,740	1,450 – 1,700	1,918	(13,998)
		2023	52,941	1,450 – 1,746	1,935	(12,704)
		2024	32,000	1,450 – 1,775	1,953	(7,263)
						(48,961)

The effective portion of the variations in the fair value of derivative financial instruments that qualify as hedging are recognized as assets or liabilities, with net equity as their counterpart the “Consolidated statement of other comprehensive income”.

As of December 31, 2021 and 2020, the Group recognized in the "Consolidated statement of other comprehensive income" a negative change in fair value of approximately US$29,595,000 and US$47,611,000, respectively, which is presented net of the income tax effect.

Currency forward -
During 2020, the Company held a currency forward contract, which hedged the variation in the cash flow originated by the fluctuation in the exchange rate of a time deposit for S/49,500,000 plus interest, which matures in January of the year mentioned.

The following is the classification according to maturity as of December 31, 2021 and December 31, 2020:

Instruments– 2021	**Nature**	**Current** US$(000)	**Non-current** US$(000)	**Total** US$(000)
Interest rate hedges – Marcobre	Asset	-	650	650
Price and exchange rate hedges – Taboca	Asset	-	1,925	1,925
Total Assets		-	2,575	2,575
Interest rate – Marcobre	Liability	4,954	1,006	5,960
Metal price hedges – Minsur	Liability	7,242	11,355	18,597
Interest rate hedges – Taboca	Liability	1,630	346	1,976
Metal price hedges – Taboca	Liability	48,780	7,475	56,255
Exchange rate hedges – Taboca	Liability	4,767	1,169	5,936
Total Liabilities		67,373	21,351	88,724

Instruments – 2020	**Nature**	**Current** US$(000)	**Non-current** US$(000)	**Total** US$(000)
Exchange rate hedges – Taboca	Asset	685	55	740
Interest rate hedges – Marcobre	Asset	-	101	101
Interest rate hedges – Taboca	Asset	-	81	81
Total Assets		685	237	922
Metal price hedges – Minsur	Liability	14,996	33,965	48,961
Interest rate – Marcobre	Liability	10,347	7,041	17,388

Interest rate hedges –				
Taboca	Liability	2,792	2,630	5,422
Metal price hedges – Taboca	Liability	8,614	652	9,266
Exchange rate hedges – Taboca	Liability	4,904	-	4,904
Total Liabilities		41,653	44,288	85,941

24. Financial asset and financial liabilities

(a) Financial liabilities –

All financial liabilities of the Group, excepting the embedded derivative from tin sales, include trade and other payables and Senior Notes which are classified as loans and borrowings and are carried at amortized cost.

(b) Fair values -

The fair value of the financial instruments is defined by the at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under the assumption that the entity is a going concern.

The following methods and assumptions were used to estimate the fair values:

Financial instruments whose fair value is like to the carrying book value -

For financial assets and liabilities that are liquid or have short maturities (less than three months), as cash and cash equivalents, trade and other receivables, net trade and other accounts payable and other current liabilities are considers that the carrying value is like fair value.

Financial instruments at fixed and variable rate -

The fair value of financial assets and liabilities that are subject to fixed and variable rates is determined by comparing the interest rates at inception with the current market interest rates for similar instruments. The fair value of deposits that yield interest are determined by using the discounted cash flows method by using market interest rates in the prevalent currency, and similar maturities and credit risks.

Based on the above, a comparison between the carrying amounts and fair values of financial instruments of the Group presented in the consolidated statement of financial position is established. The table does not include the fair values of non-financial assets and liabilities:

	Carrying value		**Fair value**	
	2021 US$(000)	**2020** US$(000)	**2021** US$(000)	**2020** US$(000)
Financial assets				
Cash and cash equivalents	469,353	257,410	469,353	257,410
Trade and other receivables, net	412,308	91,343	412,308	91,343
Derivative financial instruments	2,575	922	2,575	922
Financial assets at fair value through other comprehensive income	23,073	26,685	23,073	26,685
Other financial assets	-	90,576	-	90,576
Total financial assets	907,309	466,936	907,309	466,936

	Carrying value		Fair value	
	2021 US$(000)	2020 US$(000)	2021 US$(000)	2020 US$(000)
Financial liabilities				
Financial obligations :				
Other financial obligations	1,064,887	915,913	1,064,887	943,528
Corporate bonds	486,293	444,879	513,380	509,634
Trade and other payables	254,844	256,735	257,184	259,179
Derivative financial instruments	88,724	85,941	88,724	85,941
Total financial liabilities	1,894,748	1,703,468	1,924,175	1,798,282

(c) Fair value measurement -

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Consolidated Financial Statements.

During the year ended December 31, 2021 there were no transfers between fair value hierarchies.

The following table provides the fair value measurement hierarchy of the Group´s assets and liabilities as of December 31, 2021.

		Measurement at fair value using		
	Total US$(000)	Quoted prices in active markets (Level 1) US$(000)	Significant observable inputs (Level 2) US$(000)	Significant unobservable inputs (Level 3) US$(000)
As of December 31, 2021				
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income	23,073	23,073	-	-
Derivative financial instrument	2,575	-	2,575	-
Trade accounts receivable (subject to provisional pricing)	231,138	231,138	-	
Liabilities recognized at fair value:				
Derivative financial instruments	88,724	-	88,724	-

As of September 30, 2021, there have been no transfers between levels of fair value.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2020.

	Total US$(000)	Measurement at fair value using Quoted prices in active markets (Level 1) US$(000)	Significant observable inputs (Level 2) US$(000)	Significant unobservable inputs (Level 3) US$(000)
As of December 31, 2020				
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income	26,685	26,685	-	-
Derivative financial instrument	922	-	922	-
Trade accounts receivable (subject to provisional pricing)	34,599	34,599	-	-
Liabilities recognized at fair value:				
Derivative financial instruments	85,941	-	85,941	-

During the year ended December 31, 2020 there have been no transfers between levels of fair value.

25. Subsequent events

Between January 1, 2022 and the date of issuance of the interim condensed consolidated financial statements, no significant subsequent events of a financial-accounting nature have occurred that could affect the interpretation of these interim condensed consolidated financial statements.