

Minsur S.A. and Subsidiaries

Unaudited interim consolidated financial statements as of March 31, 2021 and 2020 and for the three months periods then ended

Minsur S.A. and Subsidiaries

Notes to interim condensed consolidated financial statements (unaudited)

As of March 31, 2021 and 2020

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 in exploration of mining rights and the development of the Mina Justa mining copper project, located in province of Nazca, region of Ica, which estimated investment amounts to US\$ 1.8 billion and 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, which is expected to start during the third quarter of 2021.

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

Notes to interim consolidated financial statements (unaudited) (continue)

b.1) Mina Justa Project

Through its subsidiary Marcobre made cash disbursements for about US\$131,815,000 (US\$171,221,000 for the first quarter of 2020), which were mainly for the execution and construction phase of the project.

The construction of the project has been financed with the contributions of the shareholders and through a syndicated loan from a group of financial institutions for up to an amount of US\$900,000,000, see note 13(g). The administration and supervision of the project has been commissioned to Ausenco S.A., an entity that is in charge of Engineering, Procurement, Construction Management (EPCM) according to the contract signed on November 7, 2017, which it will be in force until the completion of the Mina Justa project contract. Management expects to be able to start production during third quarter of 2021, subject to obtaining the necessary permits and environmental approvals.

b.2) B2 project

Minsur S.A. has been developing the project B2 located in San Rafael Mine whose estimated investment amounts to US\$192,647,000. The project consists in extracting tin from an old tailing through a production process to be carried out in the future plant of reuse of tailings. The project started commercial production in January 2020.

(d) Covid-19 outbreak -

Since Covid-19 began, the Group has taken various 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, suspect case testing and body temperature measurement.

The Group's Management has been continuously evaluating the potential short, medium and long-term implications of Covid-19 in its interim condensed consolidated financial statements based on the expansion of the State of National Emergency established by the Peruvian and Brazilian Government, however, Management 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 activities.

(e) Consolidated financial statements –

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

	Equity interest			
	March 31, 2021		December 31, 2020	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
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. –

The corporate purpose of this subsidiary is the development of mining exploration activities in Chile, as well as the development of mining projects and other related activities.

- 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 resources 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.

Notes to interim consolidated financial statements (unaudited) (continue)

- 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 of 100 percent of shares of the mining company Marcobre S.A.C. mining company that in the construction stage.

- Marcobre S.A.C. -

The main activity of the subsidiary is the exploration of mining rights and the development of its copper project 'Mina Justa', 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).

- (f) Approval of financial statements -

The condensed interim consolidated financial statements as of March 31, 2021, were approved for issuance by the Group's Management on May 5, 2021.

2. Basis of preparation and other significant accounting policies

2.1. Basis of preparation and presentation -

The consolidated condensed interim 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 consolidated condensed interim financial statements have been prepared based on historical cost, with the exception of 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 consolidated condensed interim financial statements are presented in United States dollars (US\$), and all figures have been rounded to thousands, except where otherwise indicated.

The consolidated condensed interim 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 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 the rhythm of its operations.
- The Group has restarted its construction activities for the Mina Justa Project and resumed the pace of construction.
- 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.

As indicated in note 2.4(p) of 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 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 first quarter of 2020 has been modified for comparative purposes with the income tax for the first quarter of 2021, as presented in the note 15.

In addition, the Company restated the book value of the investment in associates to correct the amount presented in the first quarter of 2020, see note 7.

Notes to interim consolidated financial statements (unaudited) (continue)

Interim consolidated statements of comprehensive income:

	From 01.01.2020 to 31.03.2020	Re-estimation of investments in associates	Evaluation of income tax calculation methodology	From 01.01.2020 to 31.03.2020 (Restated)
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Net (loss) profit	(46,158)	105	(7,114)	(53,167)
Other comprehensive income:				
Losses from Cash Flow Hedging, Net of				
Taxes	(30,957)			(30,957)
Exchange differences on translation	(32,654)	(9,219)		(41,873)
Share of Other Comprehensive Income of				
Associates, net of Tax	(632)			(632)
Gains on Financial Assets Measured at Fair				
Value with Changes in Other				
Comprehensive Income, net of Taxes	54	36		90
Other comprehensive income for the				
 year	(64,189)	(9,183)	-	(73,372)
Total comprehensive income for the year,				
 net of its income tax	(110,347)			(126,539)

3. Cash and cash equivalents and Other financial assets

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

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Cash on hand and petty cash	16	17
Bank current accounts (b)	147,049	139,027
Overnight deposits (c)	90,739	72,109
Time deposits (d)	100,000	45,756
Certificates of bank deposits (e)	3,163	501
Balance considered in the consolidated statements of cash flow	340,967	257,410

(b) As of March 31, 2021, and December 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) Overnight deposits are in a foreign banks, which accrue interest at market rates.

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

- (e) As of March 31, 2021, they correspond to bank deposit certificates (hereinafter "CDI") held by Mineração Taboca S.A. for R\$17,816,000 (equivalent to US\$3,163,000) that accrue interest at a 78 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).

4. Other financial assets

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

	31.03.2021	31.12.2020
	US\$(000)	US\$(000)
Time deposits with original maturities greater than 90 days	70,681	90,576
Financial assets with changes in other comprehensive income (b)	28,888	26,685
Derivative financial instruments (c)	2,964	922
	<u>102,533</u>	<u>118,183</u>
By maturity:		
Current	94,579	112,996
Non Current	7,954	5,187
Total	<u>102,533</u>	<u>118,183</u>

- (b) Financial assets with changes in other comprehensive income include:

	31.03.2021						
	Cost	Acquisition	Unrealized results	Past due interest	Returns	Sale of the insvmetment	Fair value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Rímac Seguros y Reaseguros	21,070	-	2,082	-	746	-	23,898
BBVA España (f)	14,845	-	(10,358)	-	503	-	4,990
Total	<u>35,915</u>	<u>-</u>	<u>(8,276)</u>	<u>-</u>	<u>1,249</u>	<u>-</u>	<u>28,888</u>
	31.12.2020						
	Cost	Acquisition	Unrealized results	Past due interest	Returns	Sale of the insvmetment	Fair value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Commercial papers	79,867	-	-	1,633	-	(81,500)	-
Rímac Seguros y Reaseguros	21,070	-	(81)	-	746	-	21,735
BBVA España (f)	14,845	-	(10,398)	-	503	-	4,950
Total	<u>115,782</u>	<u>-</u>	<u>(10,479)</u>	<u>1,633</u>	<u>1,249</u>	<u>(176,847)</u>	<u>26,685</u>

- (c) As of March 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 March 31, 2021, and 2020, the Group has not received cash dividends from BBVA Spain.

Notes to interim consolidated financial statements (unaudited) (continue)

- (f) The movement of financial assets measured at fair value through other comprehensive income is presented below:

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Opening balance	26,685	110,693
Unrealized results	2,203	(2,568)
Earned interest of deposit certificates	-	60
Liquidations of deposit certificates	-	(81,500)
Ending balance	<u>28,888</u>	<u>26,685</u>
By maturity:		
Current portion	23,898	21,735
Non-current portion	<u>4,990</u>	<u>4,950</u>
Total	<u>28,888</u>	<u>26,685</u>

The BBVA shares have been classified as non-current portion.

- (g) As of March 31, 2021, it maintains assets for financial derivatives for exchange rate and interest rate hedges in the Brazilian Subsidiary for US\$2,369,000 (US\$ 821,000 as of December 31, 2020) and financial derivatives assets for interest rate hedge in Marcobre Subsidiary for US\$ 595,000 (US\$101,000 as of December 31, 2020). See note 26(d)

5. Trade and other receivables, net

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

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Trade:		
Invoices receivable	103,512	75,865
Changes in the fair value	1,918	4,029
	<u>105,430</u>	<u>79,894</u>
Other receivables:		
Value added tax credit and other tax credits (c)	114,046	131,997
Related parties, note 22	3,616	3,581
Invoices receivable for the sale of other supplies and fixed assets	2,750	3,155
Advances to suppliers	1,637	1,134
Judicial deposits (d)	1,206	1,292
Interest receivable (e)	306	1,280
Restricted funds	118	109
Loans to employees	79	129
Others	911	769
	<u>124,669</u>	<u>143,446</u>
Total	<u>230,099</u>	<u>223,340</u>
By maturity:		
Current	141,843	136,081

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Non-Current	88,256	87,259
Total	230,099	223,340

- (b) As of March 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 March 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 that will be generated when the subsidiaries begin their operations and by the value added tax of the production activities of the subsidiary in Brazil (Mineração Taboca SA).

For the first quarter of 2021, the subsidiary Marcobre obtained the refund of the credit for the value added tax for US\$22,787,000 (US\$91,769,000 during 2020) through the Early Recovery System of the VAT (hereinafter "RERA"), for which the subsidiary expects to continue recovering said credit through this Regime during 2021. If there is a remaining credit balance of VAT, its refund or offset will be requested under the Regime of Exporter's value added tax ("SFMB" for its acronym in Spanish) based on the sales of export.

In Management's opinion, this credit will be recovered in the short term (through the RERA) and in the long term, when the Marcobre subsidiary starts its production operations.

Likewise, the subsidiary Cumbres del Sur has evaluated the recoverability of the credit balance of VAT as of March 31, 2021 for US\$8,512,000 (US\$8,735,000 as of December 31, 2020) and considers that it will be used.

- (d) As of March 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\$260,000 was made (US\$ 301,000 during the year 2020).
- (e) As of March 31, 2021, and December 31, 2020, they mainly to interest receivable related to time deposits.

Notes to interim consolidated financial statements (unaudited) (continue)

6. Inventory, net

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

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Finished products	23,304	21,592
Mined material – Subsidiary Marcobre	61,991	49,883
Materials and supplies	46,451	39,008
Work in progress	37,271	41,504
Mineral extracted	4,078	3,316
Inventory in transit	2,493	8,095
	<hr/>	<hr/>
	175,588	163,398
Allowance for obsolescence	(3,658)	(3,819)
	<hr/>	<hr/>
	171,930	159,579
	<hr/>	<hr/>
By maturity:		
Current	110,845	109,696
Non-Current	61,085	49,883
	<hr/>	<hr/>
Total	171,930	159,579
	<hr/>	<hr/>

Notes to interim consolidated financial statements (unaudited) (continue)

7. Investments in associates

(a) This caption is made up as follows:

	Interest in equity		Equity value	
	31.03.2021 %	31.03.2020 %	31.03.2021 US\$(000)	31.03.2020 US\$(000)
Inversiones Cordillera del Sur Ltda. and subsidiaries	73.85	73.85	274,786	273,315
Futura Consorcio Inmobiliario S.A.	3.31	3.31	3,360	3,376
			<u>278,146</u>	<u>276,691</u>

As mentioned in the note 2, during the first quarter of 2021 the Group review the balance of its investment in Cordillera del Sur Ltda and subsidiaries as of March 31, 2020 and corrected the amount from US\$283,969 to US\$274,786.

The Group has recorded its investment in Futura Consorcio Inmobiliario S.A. as an investment in associate considering that it is operated by the same economic group.

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

	As of 31.03.2021 US\$(000)	As of 31.03.2020 US\$(000)
Inversiones Cordillera del Sur Ltda. y subsidiaries	4,900	(217)
Exsa S.A. (c)	-	(150)
Futura Consorcio Inmobiliario S.A.	9	14
Total	<u>4,909</u>	<u>(353)</u>

(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 March 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.

Notes to interim consolidated financial statements (unaudited) (continue)

8. Property, plant and equipment, net

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

	Balance as of January 1, 2021 US\$(000)	Additions US\$(000)	Mine closure update US\$(000)	Depreciation US\$(000)	Disposals (d) US\$(000)	Translation Adjustment US\$(000)	Balance as of March 31, 2021 US\$(000)
Cost	2,695,270	73,080	(21,906)	-	(4,337)	(21,724)	2,720,383
Depreciation	(769,961)	-	-	(29,400)	8	8,282	(791,071)
Impairment loss of Property, plant and equipment	(37,116)	-	-	-	455	2,635	(34,026)
	<u>1,888,193</u>	<u>73,080</u>	<u>(21,906)</u>	<u>(29,400)</u>	<u>(3,874)</u>	<u>(10,807)</u>	<u>1,895,286</u>

	Balance as of January 1, 2020 US\$(000)	Additions US\$(000)	Mine closure update US\$(000)	Depreciation US\$(000)	Disposals (d) US\$(000)	Translation Adjustment US\$(000)	Balance as of March 31, 2020 US\$(000)
Cost	2,319,085	102,626	(1,852)	-	-	(79,521)	2,340,338
Depreciation	(703,944)	-	-	(24,999)	-	27,901	(701,042)
Impairment loss of Property, plant and equipment	(46,922)	-	-	-	-	10,669	(36,253)
	<u>1,568,219</u>	<u>102,626</u>	<u>(1,852)</u>	<u>(24,999)</u>	<u>-</u>	<u>(40,951)</u>	<u>1,603,043</u>

Notes to interim consolidated financial statements (unaudited) (continue)

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

	From 01.01.2021 to 31.03.2021	From 01.01.2020 to 31.03.2020
	US\$(000)	US\$(000)
Cost of sales, note 19	21,990	19,534
Development cost	7,175	4,272
Administration expenses	176	185
Exploration and evaluation expenses	27	30
Selling expenses	3	3
Unabsorbed costs, note 19	-	951
Other expenses	29	24
	<u>29,400</u>	<u>24,999</u>

- (c) During the first quarter 2021 and 2020 the mainly addition of the working progress item comprises investments related with the construction of the Mina Justa project (Marcobre).
- (d) As of March 31, 2021, and December 21, 2020, the net cost of machinery and equipment under finance leases amounts to US\$1,225,000 and US\$1,439,000 respectively.
- (e) **Impairment assessment 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. If there are such indicators of impairment, a formal estimate of the recoverable amount is made. As of March 31, 2021 the Group concluded that there are no impairment indicators in any of its mining units, therefore, it did not make a formal estimate of the recoverable amount.

9. Intangible assets, net

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

	Balance as of January 1, 2021 US\$(000)	Additions US\$(000)	Amortization US\$(000)	Translation adjustment US\$(000)	Balance as of March 31, 2021 US\$(000)
Net cost					
Cost	732,910	29,608	-	(4,344)	758,174
Amortization	(57,257)	-	(1,759)	1,143	(57,873)
	<u>675,653</u>	<u>29,608</u>	<u>(1,759)</u>	<u>(3,201)</u>	<u>700,301</u>

	Balance as of January 1, 2020 US\$(000)	Additions US\$(000)	Amortization US\$(000)	Translation adjustment US\$(000)	Balance as of March 31, 2020 US\$(000)
Net cost					
Cost	628,630	31,928	-	(16,361)	644,197
Amortization	(55,210)	-	(1,735)	3,875	(53,070)
	<u>573,420</u>	<u>31,928</u>	<u>(1,735)</u>	<u>(12,486)</u>	<u>591,127</u>

Notes to interim consolidated financial statements (unaudited) (continue)

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

	From 01.01.2021 to 31.03.2021	From 01.01.2020 to 31.03.2020
	US\$(000)	US\$(000)
Cost of sales, note 19	1,636	1,375
Exploration expenses and studies	89	255
Mine development	29	32
Administration expenses	5	7
Unabsorbed costs, note 19	-	66
	<u>1,759</u>	<u>1,735</u>

- (c) During the first quarter of 2021 and 2020 the additions for the development cost mainly comprise the management services of the Mina Justa project.
- (d) During the first quarter of 2021 and 2020, the concessions and mining rights are mainly related to the concession of the subsidiaries Mineração Taboca S.A. and Mina Justa.

10. Other non-financial assets

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

	31.03.2021	31.12.2020
	US\$(000)	US\$(000)
Right-of-use assets, net	25,115	28,780
Services and expenses contracted in advance	<u>2,792</u>	<u>8,934</u>
Total	<u>27,907</u>	<u>37,714</u>
By Maturity:		
Current portion	2,792	3,944
Non-current portion	<u>25,115</u>	<u>33,770</u>
Total	<u>27,907</u>	<u>37,714</u>

11. Trade and other account payables

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

	31.03.2021	31.12.2020
	US\$(000)	US\$(000)
Trade payables:		
Third parties	138,004	196,454
Related parties, note 22	<u>8,179</u>	<u>11,933</u>
	<u>146,183</u>	<u>208,387</u>
Other accounts payable:		
Accounts payable for acquisition of non-controlling	21,307	20,934
Taxes and contributions payable	17,199	15,737

Notes to interim consolidated financial statements (unaudited) (continue)

Interest payable	13,753	21,457
Accounts payable to rural communities	773	857
Accounts payable for options subscription	670	2,117
Pasivos por contratos	-	1,817
Others	2,601	1,166
	<u>56,303</u>	<u>64,085</u>
Lease liabilities		
Third parties	22,333	25,237
Related parties, note 22	4,621	4,950
	<u>26,954</u>	<u>30,187</u>
Total	<u>229,440</u>	<u>302,659</u>
By Maturity:		
Current portion	184,845	255,898
Non-current portion	44,595	46,761
Total	<u>229,440</u>	<u>302,659</u>

12. Employee benefits

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

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Workers' profit sharing	8,335	12,565
Remuneration and allowances	<u>15,847</u>	<u>12,250</u>
	<u>24,182</u>	<u>24,815</u>

13. Borrowings

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

Entity	Guarantee	Interest rate	31.03.2021 US\$(000)	31.12.2020 US\$(000)
		Libor 3 months		
Syndicated loan, net of structuring costs (c)	Guaranteed	+ 1.65%	871,055	765,896
Corporate bonds, net of issuance costs (d)	Unguaranteed	6.25%	445,253	444,879
	Corporate	Libor 3 months		
Citibank (e)	Minsur	+ Spread	89,867	97,000
Bank of América (h)	Guaranteed	2.47%	25,000	-
Bank do Brazil (f)	Guaranteed	2.60% - 3.48%	13,500	33,116
		Libor 3 months		
Bank Santander (i)	Guaranteed	+ Spread	7,770	7,390
Bank Santander (f)	Unguaranteed	3.21% - 4.10%	7,300	9,307
Bank ABC (f)	Unguaranteed	4.70%	1,700	1,701
Finance leases (j)	Unguaranteed	1.45% - 3.05%	1,517	1,503
			<u>1,462,962</u>	<u>1,360,792</u>

By maturity:

Current	129,651	150,923
Non-current	1,333,311	1,209,869
	<u>1,462,962</u>	<u>1,360,792</u>

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

	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Opening balance	1,360,792	1,095,387
Additions	133,224	344,054
Structuring costs	1,430	(4,938)
Payments	(30,262)	(69,238)
Translation	(2,222)	(4,473)
Ending balance	<u>1,462,962</u>	<u>1,360,792</u>

(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 Générale; and Banco Bilbao Viscaya Argentaria, S.A., New York Branch, for which it obtained a credit line of US\$900,000,000 due in 2025; this loan will be used for the development and construction of the Mina Justa project with a variable interest rate of Libor for three months of 0.2204% as of September 30, 2020 plus an average fixed margin of 1.57%. To obtain this loan, the subsidiary Marcobre counted as guarantors with Minsur S.A. and Empresas Copeac S.A. Until March 31, 2021, the subsidiary Marcobre has received the entire syndicated loan for US\$900,000,000 (US\$871,055,000 net of structuring costs). As December 31,2020 it has received US\$792,000,000 (US\$765,896,000 net of structuring costs).

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

As of March 31, 2021, and 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.

Notes to interim consolidated financial statements (unaudited) (continue)

- (d) 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.

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.

- (e) 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.
- (f) 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.
- (g) As of March 31, 2021 and December 31, 2020 Minsur S.A. maintains joint guarantees and letter of credit for US\$189,400,000 that guarantee the financing and other operations of its subsidiary Mineração Taboca S.A.
- (h) Corresponds to loans of type "LOAN-4131" 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.
- (i) Corresponds to two "prepaid export - PPE" loans obtained by the subsidiary Mineração Taboca S.A. During 2020, whose maturity dates are November 2024 and November 2025, the financing was carried out with the objective of reducing part of its short-term debts and improving cash flow in this subsidiary.
- (j) As of March 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 2.79%, with maturities between years 2022 and 2023.

14. 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 first quarter of 2021 is explained by the update of provision of mine closure.

15. 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:

	From 01.01.2021 to 31.03.2021 US\$(000)	From 01.01.2020 to 31.03.2020 US\$(000)
Income tax		
Current	(30,427)	(9,851)
Deferred	23,342	(24,397)
	<u>(7,085)</u>	<u>(34,248)</u>
 Mining royalties and special mining tax		
Current	(5,063)	(2,899)
Deferred	404	(743)
	<u>(4,659)</u>	<u>(3,642)</u>
	<u>(11,744)</u>	<u>(37,890)</u>

As mentioned in the note 2, during the first quarter of 2021 the Group review the balance of the income tax expense as of March 31, 2020 and corrected the amount from US\$30,776,000 to US\$37,890,000.

- (b) As of March 31, 2021 the Group maintains an income tax prepayment of US\$813,000 and an income tax payable of US\$5,868,000. 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 Exsa S.A. (until April 30, 2020) 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.

Notes to interim consolidated financial statements (unaudited) (continue)

16. Non-controlling interest contributions -

During first quarter 2021 and 2020, the Group received contributions from the non-controlling interest for a total amount of US\$41,000,000 and US\$45,240,000, respectively, as part of the financing of the Mina Justa project and other mineral exploration projects.

17. Tax situation

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

18. Net sales

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

	From 01.01.2021 to 31.03.2021 US\$(000)	From 01.01.2020 to 31.03.2020 US\$(000)
Tin and other minerals	204,052	120,044
Gold	26,465	27,515
Niobium and tantalum	18,224	13,951
	<u>248,741</u>	<u>161,510</u>

(b) Tin Sales Concentration - Peruvian Market -

As of March 31, 2021, there is no significant concentration of sales. The top 3 customers accounted for 43 percent of total sales (As of March 31, 2020 the top three customers accounted for 38 percent of total sales).

(c) Tin Sales Concentration - Brazilian Market –

As of March 31, 2021, the three main clients represent 49 percent of total sales (43 percent as of March 31, 2020) of the Brazilian market.

(d) Gold sales concentration -

On March 31, 2021, the Company sold gold to 2 clients that represented 100% of sales (4 clients as of March 31, 2020).

(e) Concentration of sales of niobium and tantalum –

As of March 31, 2021, the top three customers represent 57 percent of total sales (67 percent as of March 31, 2020).

19. Cost of sales

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

	As of 31.03.2021 US\$(000)	As of 31.12.2020 US\$(000)
Opening balance of product in process inventory	44,820	47,883
Opening balance of finished product inventory	23,673	26,232
Services rendered by third parties	29,721	21,505
Wages and salaries	26,179	19,636
Depreciation, notes 8(b)	24,536	22,831
Consumption of raw material and other supplies	21,273	16,306
Purchase of mining services from AESA S.A.	8,484	5,746
Other manufacturing expenses	4,159	1,789
Energy	3,720	3,353
Amortization, note 9(b)	1,636	1,375
Unabsorbed cost	-	2,080
Purchase of explosives from Exsa S.A.	-	1,084
Inventory losses	-	336
Allowance for obsolescence	-	(101)
Translation	(1,506)	(3,844)
Final balance of work in process inventory	(41,349)	(52,096)
Final balance of finished product inventory	(21,064)	(4,196)
	<u>124,282</u>	<u>109,919</u>

20. Financial income and costs

This item mainly includes the interest expense of corporate bonds and the results of exchange rate and interest rate derivatives.

21. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing net earnings for the period by the weighted average number of shares outstanding during the year.

The following is the calculation of earnings per share:

	From 01.01.2021 to 31.03.2021 US\$	From 01.01.2020 to 31.03.2020 US\$
Numerator -		
Net income attributable to owners of the Parent Company	77,282,000	(49,081,000)
	Number of stockshare	Number of stockshare
Denominator -		
Common stockshares	19,220,015	19,220,015
Investment shar	960,999,163	960,999,163
Profit per share		
Basic and diluted - US\$ per common share	2,681	(1.702)
Basic and diluted - US\$ per investment share	0.027	(0.017)

Notes to interim consolidated financial statements (unaudited) (continue)

Basic and diluted earnings per share are the same since there are no dilutive effects on earnings.

There have not been other transactions involving common shares and investment shares between the reporting date and the closing date of these consolidated financial statements.

22. Related parties transactions

(a) Accounts receivable, payable and lease liability -

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

	As of 31.03.2021 US\$(000)	As of 31.12.2020 US\$(000)
Classification by existing captions:		
Other receivables (current), note 7(a):		
Other related parties		
Compañía Minera Raura S.A.	2,824	2,798
Administración de Empresas S.A.	778	769
Clinica Internacional S.A.	14	14
	<hr/> 3,616	<hr/> 3,581
For paying commercial and various (current):		
Other related parties		
Administración de Empresas S.A.	6,784	6,676
Clínica Internacional. S.A.	682	1,523
Rímac S.A. Entidad prestadora de salud	294	312
Compañía Minera Raura S.A.	174	210
Inversiones San Borja S.A.	81	84
Brein Hub S.A.C.	78	120
Corporación Peruana de Productos Químicos S.A.	52	14
Centria Servicios Administrativos S.A.	33	1
Servicios Médicos Ambulatorios	1	-
Terpel Comercial del Peru S.R.L.	-	410
Inversiones Nacionales de Turismo S.A.	-	93
Protección Personal S.A.C.	-	42
Corporación Breca S.A.C.	-	1
Rímac Seguros y Reaseguros	-	2,447
	<hr/> 8,179	<hr/> 11,933
Lease liabilities		
Inversiones San Borja S.A.	4,248	4,510
Administración de Empresas S.A.	373	440
	<hr/> 4,621	<hr/> 4,950
	<hr/> 12,800	<hr/> 16,883

Classification by nature:

	As of 31.03.2021	As of 31.12.2020
	US\$(000)	US\$(000)
Commercial	8,179	11,933
Lease liabilities	4,621	4,950
	<u>12,800</u>	<u>16,883</u>

There have been no guarantees provided or received from accounts receivable or payable with related parties. As of March 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 for the first quarter 2021 and 2020 has been recognized as an expense in the interim consolidated statement of profit or loss and there are as follows:

	From 01.01.2021 to 31.03.2021	From 01.01.2020 to 31.03.2020
	US\$(000)	US\$(000)
Peru		
Salaries	6,236	13,528
Board remuneration	44	152
	<u>6,280</u>	<u>13,680</u>
Brazil		
Compensation	380	372
Total	<u>6,660</u>	<u>14,052</u>

23. Commitments

The capital expense that will be paid in the future, agreed on the date of consolidated financial statements of financial position but not recognized in the consolidated statement of financial position is as follows:

	As of 31.03.2021	As of 31.12.2020
	US\$(000)	US\$(000)
Capital commitments	138,945	280,500
	<u>138,945</u>	<u>280,500</u>

Notes to interim consolidated financial statements (unaudited) (continue)

24. Contingencies

As of March 31, 2021, there were no significant changes in the contingencies of Minsur and subsidiaries.

25. 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.
- 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 located 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.

Segment performance is evaluated based on profit (loss) before income tax and is measured consistently with income (loss) in the interim consolidated statements of profit or loss.

Notes to interim consolidated financial statements (unaudited) (continue)

	Tin and Gold (Perú)							
	Tin (Perú)	Gold (Perú)	Other non-allocable (Peru) (Perú)	Total (Perú)	Tin (Brasil)	Mining exploration (Perú and Chile)	Adjustments and Eliminations	Total Consolidated
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$ (000)
As of March 31, 2021:								
Results:								
Net sale from third parties	169,644	26,465	-	196,109	52,632	-	-	248,741
Cost of sales	(69,747)	(18,255)	-	(88,002)	(36,280)	-	-	(124,282)
Administration expenses	(9,347)	(2,446)	-	(11,793)	(2,375)	(399)	238	(14,329)
Selling expenses	(1,340)	(170)	-	(1,510)	(558)	-	-	(2,068)
Exploration expenses and evaluation expenses	(2,048)	(23)	-	(2,071)	-	(785)	-	(2,856)
Other expenses, net	3,027	791	-	3,818	(244)	1,457	(238)	4,793
Operating income	90,189	6,362	-	96,551	13,175	273	-	109,999
Profit before income tax	-	-	88,069	88,069	(2,266)	2,249	-	88,052
Income tax	-	-	(10,787)	(10,787)	(1,899)	942	-	(11,744)
Net profit			77,282	77,282	(4,165)	3,191	-	76,308
Other revelations:								
Depreciation and amortization (included in costs and expenses)	13,575	7,514	471	21,560	5,139	13	-	26,712

Notes to interim consolidated financial statements (unaudited) (continue)

	Tin and Gold (Perú)							
	Tin (Perú)	Gold (Perú)	Other non-allocable (Peru) (Perú)	Total (Perú)	Tin (Brasil)	Mining exploration (Perú and Chile)	Adjustments and Eliminations	Total Consolidated
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$ (000)
As of March 31, 2020:								
Results:								
Net sale from third parties	97,342	27,515	-	124,857	36,653	-	-	161,510
Cost of sales	(64,398)	(15,071)	-	(79,469)	(30,450)	-	-	(109,919)
Administration expenses	(7,515)	(1,758)	-	(9,273)	(3,169)	(109)	64	(12,487)
Selling expenses	(1,141)	(232)	-	(1,373)	(668)	-	-	(2,041)
Exploration expenses and evaluation expenses	(1,933)	(289)	-	(2,222)	-	(2,881)	-	(5,103)
Others expense, net	(82)	(19)	-	(101)	(541)	811	(64)	105
Operating income	22,273	10,146	-	32,419	1,825	(2,179)	-	32,065
Profit before income tax	-	-	(18,368)	(18,368)	(35,115)	38,206	-	(15,277)
Income tax	-	-	(30,713)	(30,713)	(2,681)	(4,496)	-	(37,890)
Net profit			(49,081)	(49,081)	(37,796)	33,710	-	(53,167)
Other revelations:								
Depreciation and amortization (included in costs and expenses)	(11,029)	(8,770)	(288)	(20,087)	(5,882)	(18)	-	(25,987)

Notes to interim consolidated financial statements (unaudited) (continue)

26. 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 March 31, 2021 amounts to US\$670,000 (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%
	<div>Hedged value</div>	
	2021 US\$(000)	2020 US\$(000)
Cash flow hedges -		
Interest rate swap (d)	From December 2018 to September 2023	1,5101,340
Cap 1 – Interest rate (d)	From December 2018 to September 2023	1,7381,309
Cap 2 – interest rate (d)	From September 2023 to September 2025	3,9881,579
Total	7,236	4,228

- (c) As of March 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\$13,998,000 of which US\$8,905,000 has current maturity and US\$5,093,000 has non-current maturity (US\$17,388,000 as of December 31, 2020 of

Notes to interim consolidated financial statements (unaudited) (continue)

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)	
	From 01.01.2021 to 31.03.2021 US\$(000)	From 01.01.2020 to 31.03.2020 US\$(000)
Derivatives of interest rates -		
Interest rate swap	(3,389)	(10,802)
Cap 1 – Interest rate	-	4,323
Cap 2 – interest rate	-	2,563
Intrinsic Value of Premium Caps	(495)	-
Other effects	(135)	(3,641)
	(4,019)	(7,557)
(-) Deferred income tax	1,045	1,109
Net effect	(2,974)	(6,448)

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. As of March 31, 2021, the net fair value of these Zero Cost Collar and NDF amounts to US\$5,210,000 (equivalent to R\$29,685,000) and Swap amounts to US\$2,177,000 (equivalent to R\$12,405,000) (Zero Cost Collar and NDF amounts to US\$4,161,000, equivalent to R\$21,622,528, and Swap amounts to US\$5,338,000, equivalent to R\$27,739,000, as of 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 March 31, 2021 and December 31, 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	39,083	1,450 – 1,639	1,737	(3,795)
		2022	55,740	1,450 – 1,700	1,726	(4,088)
		2023	52,941	1,450 – 1,746	1,739	(5,669)

		2024	32,000	1,450 – 1,775	1,766	(3,319)
						<u>(16,871)</u>
	Zero Cost					
Gold	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		1,450 – 1,775	1,953	(7,263)
						<u>(48,961)</u>

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 March 31, 2021 and 2020, the Group recognized in the “Consolidated statement of other comprehensive income” a positive variation in fair value of approximately US\$31,055,000 and a negative variation in fair value US\$1,062,000, respectively, which is presented net of the effect on income tax.

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

Instruments –2021	Nature	Current US\$(000)	Non-current US\$(000)	Total US\$(000)
Interest rate hedges – Marcobre	Asset	-	595	595
Exchange rate hedges – Taboca	Asset	-	2,369	2,369
Total Assets		<u>-</u>	<u>2,964</u>	<u>2,964</u>
Metal price hedges – Minsur	Liability	4,506	12,365	16,871
Interest rate hedges – Marcobre	Liability	8,905	5,093	13,998
Interest rate hedges – Taboca	Liability	23,777	-	23,777
Exchange rate hedges – Taboca	Liability	5,270	-	5,270
Total Liabilities		<u>45,087</u>	<u>19,400</u>	<u>64,487</u>

Notes to interim consolidated financial statements (unaudited) (continue)

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		650	237	922
Metal price hedges – Minsur	Liability	14,996	33,965	48,961
Interest rate hedges – 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

27. Financial instrument risk management, objectives, and policies

21.1 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. The main risks to which the Group is exposed that have had relevant changes with respect to December 31, 2020 are detailed below.

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 sensitivity analyzes included in the following sections relate to the consolidated financial situation as of March 31, 2021 and 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 March 31, 2021 and March 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 risk of change with the product of operations; that is, it does not perform hedging operations with derivative financial instruments to cover its exchange risk.

The following table shows the sensitivity in the results of the Group in March 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)
March 31, 2021	10%	16,251
	-10%	(16,251)
March 31, 2020	10%	24,297
	-10%	(24,297)

Changes risk in mineral prices –

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.

The table below summarizes the impact on earnings before income tax for changes in the tin price. This analysis is based on the presumption that the price of tin has increased or decreased by 10 percent, while the rest of the variables remain constant.

Notes to interim consolidated financial statements (unaudited) (continue)

Year	Potential increase/decrease	Effect on profit before income tax US\$(000)
March 31, 2021	10%	5,492
	-10%	(5,492)
March 31, 2020	10%	2,916
	-10%	(2,916)

During the first quarter 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 positive scenario for the first quarter 2021, an average price of US\$1,885 per ounce of gold was considered; while for the negative scenario, an average price of US\$1,542 per ounce of gold was considered. As of the first quarter, 2020, the Group did not make sales with a provisional price, so it was not exposed to the variation in the price of an ounce of gold.

Year	Potential increase/decrease	Effect on profit before income tax US\$(000)
March 31, 2021	10%	2,816
	-10%	(2,816)

28. 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 similar 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 similar to 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 book value		Fair value	
	31.03.2021 US\$(000)	31.12.2020 US\$(000)	31.03.2021 US\$(000)	31.12.2020 US\$(000)
Financial assets				
Cash and cash equivalents	340,967	257,410	340,967	257,410
Trade and other receivables, net	116,053	91,343	116,053	91,343
Derivative financial instruments	2,964	922	2,964	922
Financial assets at fair value through other comprehensive income	28,888	26,685	28,888	26,685
Total financial assets	488,872	376,360	488,872	376,360
Financial liabilities				
Financial obligations:				
Corporate bonds	445,253	444,879	503,271	509,634
Other financial obligations	1,017,709	915,913	1,046,722	943,528
Trade and other payables	185,287	256,735	185,287	259,179
Derivative financial instruments	64,487	85,941	64,487	85,941
Total financial liabilities	1,712,736	1,703,468	1,770,754	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.

Notes to interim consolidated financial statements (unaudited) (continue)

For financial derivatives instruments that are recognized at fair value on a recurring basis, the Group.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of March 31, 2021 -

	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)
	Total US\$(000)			
As of March 31, 2021				
Assets measured at fair value:				
Financial assets at fair value through other				
comprehensive income	28,888	28,888	-	-
Derivative financial instrument	2,964	-	2,964	-
Liabilities recognized at fair value:				
Derivative financial instruments	(64,487)	-	(64,487)	-

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

During the first quarter ended March 31, 2021 there have been no transfers between levels of fair value.

	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)
Total 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	-
Liabilities recognized at fair value:				
Derivative financial instruments	(85,941)	-	(85,941)	-

- (d) Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2020 –
During the year ended December 31, 2020 there have been no transfers between levels of fair value.

29. Subsequent events

Between April 1, 2021 and the date of issuance of the interim consolidated financial statements, no significant subsequent events have occurred that may affect the interpretation of these consolidated financial statements.