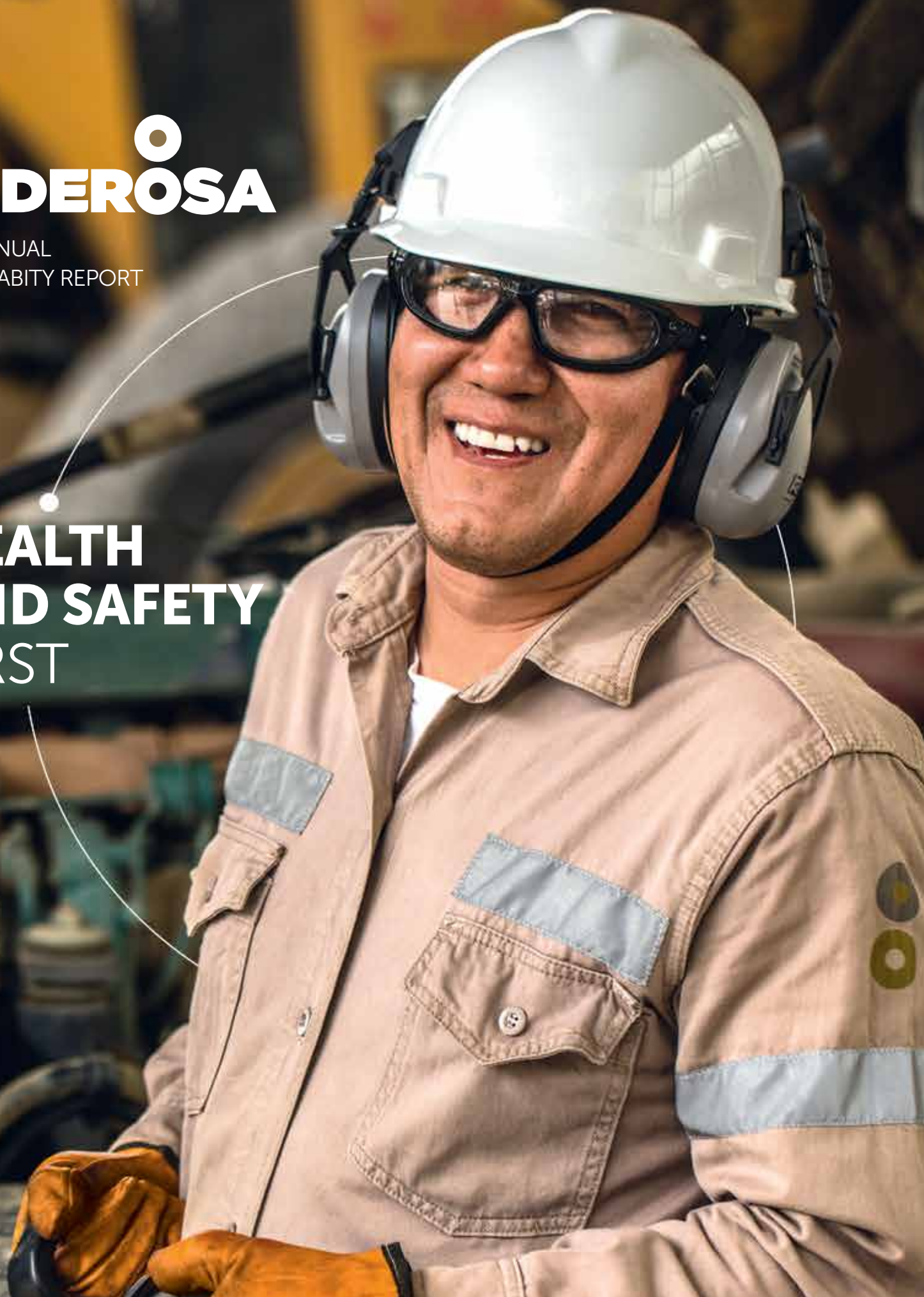




2109 ANNUAL  
SUSTAINABILITY REPORT

# HEALTH AND SAFETY FIRST





2109 ANNUAL  
SUSTAINABILITY REPORT

A large, thin gold circle that serves as a background graphic for the main title. A small gold dot is located on the upper-left arc of the circle, from which a thin gold line extends to the left, ending at the start of the main title text.

**HEALTH  
AND SAFETY**  
FIRST



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# DISCLAIMER

This 2019 Annual Report has been prepared under the principles of good faith and transparency, in accordance with the legal provisions in force and pursuant to the Manual for the Presentation of Annual Reports of the Superintendencia de Mercados de Valores (Peruvian Securities Market Superintendence - SMV); therefore, any deficiency or omission is not voluntary. Pursuant to CONASEV’s General Management Order N° 211-98-EF/94.11 and its modifications, we hereby state as follows:

“This document contains true and sufficient information regarding the business of Compañía Minera Poderosa S.A. during 2019. Notwithstanding the liability of the persons who have prepared it, the undersigned are liable for its contents pursuant to the legal provisions in force”.

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

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

**Russell Marcelo  
Santillana Salas**  
General Manager

**Daniel Torres Espinoza**  
Operations Manager

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

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

**Fausto Cueva Castillo**  
Geology and  
Explorations Manager

**Iván Tomás Asmat  
Salazar**  
Accountant General

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

2109 Annual Sustainability Report  
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October 2020.



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# ABOUT OUR 2019 REPORT

For the past 10 years, we have designed our sustainability reports pursuant to the Global Reporting Initiative (GRI) Guideline, which proves our commitment and transparency regarding the economic, social, and environmental impacts generated by our operations. The last report (2018) was published in November 2019.

Our former annual reports (2010, 2011, 2012 and 2013) were designed according to GRI version GR3.1; in the annual reports 2014, 2015, 2016 and 2017 we applied the criteria of the GRI G4 version, and in 2018 and 2019 we applied the criteria of the Standard GRI.

This report, which is published on an annual basis, has been designed according to the GRI Standards Core Option. The period covered by this report goes from January 1st to December 31st, 2019, it covers the operations of the Marañon and Santa Maria production units in the Pataz district, La Libertad Region in Peru, and includes the work of the administrative offices and warehouses located both in Lima and in Trujillo. During this period, significant changes have taken place regarding the size, structure, and ownership of the company as detailed below.

- On March 14, 2019, the annual shareholder meeting unanimously approved to capitalize profits for a total amount of PEN 147'000,000.00 to be debited from the 2016 profits, , which implied the delivery of released shares by 68.06% and increase the legal reserves by PEN 29'400,000

to be debited from the 2016 and part of the 2017 balances. The new balance of the capital account is PEN 363'000,000.

- Completion of the first stage of the Santa Maria beneficiation plant expansion to 1,000 tons per day, which included the installation of two mills (9.5'x12' y 6'x12'), one thickener (N.º 12), two agitators (N.º 9 and N.º 10). As a result, since May, the amount of ore treated increased to 800 MTD.

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

In 2016, the Board of Directors approved our Sustainability Statement, an evidence of the Senior Management's commitment with our stakeholders.

The electronic version of this 2019 Annual Sustainability Report can be found in [www.poderosa.com.pe](http://www.poderosa.com.pe)



For further information about this report please contact the **Social Responsibility and Communications Deputy Management Office**, Avenida Primavera 834, Lima 33, Peru. Telephone: (511) 617-2727, extension 4107. E-mail: [responsabilidadsocial@poderosa.com.pe](mailto:responsabilidadsocial@poderosa.com.pe)

# GRI STANDARD AND MATERIALITY PRINCIPLE

As we mentioned before, in this report we have applied the GRI Standard, that promotes the publication of information focused on the core of an organization. Pursuant to this standard, we defined our materiality as **“those aspects that reflect the organization's significant economic, environmental and social impacts that substantively influence stakeholders' assessments and decisions”**.

# MATERIALITY ANALYSIS

In this report, we inform about the material aspects considered to be important to our strategic objectives.

The baseline for this materiality analysis was carried out in 2014, which included the participation of the senior management, line executives, and stakeholders. The process was thoroughly carried out in four stages:

- REVIEW:** Information from the mining sector and relevant to the industry was analyzed and compared. A number of documents related to our social responsibility strategy such as the Code of Conduct of the Sociedad Nacional de Minería, Petróleo y Energía (National Mining, Oil and Energy Association– SNMPE), Internal Work Regulation, General Policies, Integrated Management System Policies (SIG), and Mission, Vision and Values statement were also reviewed.
- IDENTIFICATION:** Under the materiality principle, a thorough list was produced, containing the most relevant aspects that could cause significant impacts on the stakeholders or in the company's value chain.
- PRIORITIZATION:** A preliminary list containing the material aspects was produced establishing its scope and coverage through the application of the inclusiveness principle and responding to the expectations of the stakeholders.
- VALIDATION:** The preliminary list was validated by officers, workers and stakeholder representatives who participated in workshops and responded to surveys. This way, a final list of the reportable material aspects was completed.



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All the same, we have reviewed relevant updated documents such as the Community Perception Study on our performance, carried out by DCifra S.A.C.; the validation of the Good Corporate Governance Principles 2018; staff recruitment, selection and hiring process; the 2018 Annual Sustainability Report, as well as the Responde report on the document; the 2017 and 2018 Audited Financial Statement reports; and the 2019 Annual Plan which establishes the company's general purpose (key business performance indicators).

This review allowed revalidating the material aspects selected in 2014 to produce this document. During this period, there have been no significant changes regarding the scope and coverage of each aspect with respect to former annual reports.

The materiality matrix will be reviewed at the beginning of 2020. For such purpose, we have hired KREAB SAC to carry out focus groups and in-depth surveys to the company's stakeholders' representatives.

Material aspects, scope, and coverage

MATERIAL ASPECTS	COVERAGE	STAKEHOLDER GROUP	SIGNIFICANT IMPACT
Economic Performance	Internal	Shareholders, Workers	Financial Results
Operations Management: Production	Internal	Shareholders, Workers	Ounces Produced, Environmental Impact
Occupational Health and Safety	Internal	Workers, Suppliers	Workers' Safety
Materials Management	Internal	Government, Community	Environmental Impact
Water Management	Internal and External	Government, Community	Environmental Impact, Water Management.
Gas Emissions Management	Internal	Government, Community	Greenhouse Gas Emissions, Solids in Suspension in The Air
Energy Management	Internal	Government, Shareholders,	Operations Continuity, Costs Reduction
Respect for Biodiversity	External	Government, Community	Environmental Impact
Mine Closure Plan	Internal and External	Government, Community	Health, Security of The People, Environment, Surrounding Ecosystem and Property
Forestation	External	Government, Community	Productive Activities, Secure Timber Supply, Mitigation of Carbon Footprint.
Participative Monitoring	External	Government, Community	Environmental Impact
Labor Practices and Decent Work	Internal	Shareholders, Workers, Government,	Occupational Health, Accidents, better performance, staff turnover.
Community relations	External	Community, Suppliers, Artisanal miners, Government	Development of the area of influence
Formalization of Artisanal Miners	External	Artisanal Miners, Government, Community, Suppliers	Environmental Impact Reduction, Formalization of the economy, Economic results
Suppliers	External	Suppliers	Product, and service quality. Stimulation of the local economy through job creation, demand for local services and procurement

MANAGEMENT  
APPROACH

The management approach provides information on the way an organization analyzes, identifies, and responds to its real and potential economic, environmental, and social impacts. The management approach can be found in the pages listed under GRI 103.







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PART ONE

# PODEROSA



# CHAIRPERSON'S LETTER



In 2019, the power of the joint efforts of every actor has allowed us to achieve good and encouraging results once again. I want to thank the Poderosa team, a world class team, which work contributes to the increasing growth and soundness of our company. All the same, I am grateful to the shareholders for their trust on us, and to everyone working with us, for their continuous support.

Once more, this year we exceeded our historical production by obtaining 314,023 oz of gold, 12.3% more than in 2018. **To maintain sustainable production, we continue to emphasize exploration.** So, 2019 closed with 1'432,743 t of resources with a total content of 769,649 oz of gold; both figures represent a historic record for the company. These results meant an increase of 6.5% with respect to the number of tons, and 5% as per the number of ounces, compared to 2018. As in former years, the good results of the exploration in Santa Maria contributed, significantly to meet these goals. The authorization for the Marañon production unit enabled starting exploration works in the north of the unit; we expect that the results in this area and in other targets contribute to revert the reduction of minerals in this unit.

As for the plants, we must highlight the completion of the first stage of the most

769,649

OUNCES OF GOLD OBTAINED

recent expansion of the Santa Maria I plant, from 600 to 800 metric tons per day (t/d). The second stage of the expansion, to 1,000 t/d, is underway and once completed, it will provide a total capacity of 1,800 t/d together with the Marañon plant. This increased capacity will enable us to accommodate our growth in the years to come. Additionally, the consolidated recovery of both plants increased from 90.95% to 91.71%, enabling greater value extraction.

**The favorable price of gold allowed us to invest USD 107.5 million, 11.5% more than in 2018. These investments, focused on exploration, seek to maintain the mine life in three years despite the plant growth. Only through continuous investment in exploration will we be able to provide continuity to our operations. This will lead to a promising future and will help us reaffirm our commitment to work responsibly for the growth of Poderosa and of our country.**

At Poderosa we are committed to maintain the best industry practices to strengthen our sustainability, and in this line, I would like to mention that our Antibribery Management System was certified



under ISO 37001 standard. We are the first mining company in Peru to receive this certification. All the same, we received the certification Empresarios por la Integridad as a result of the implementation of the Antibribery Prevention Model.

Despite our best efforts, we unfortunately suffered four fatalities in our operations, which commits us to work even harder to achieve our goal of 0 injuries. We believe training is key and we prove our commitment by providing more than 45,000 training hours in labor risk prevention; all the same, we have been carrying out several engineering processes to reduce labor risks and to respond faster in the event of an accident. We will continue to strive to improve and obtain good results, like the ones we had in security in 2018.

Finally, as in previous years, I would like to highlight the recognitions achieved by the Poderosa team awarded by different institutions to our company during 2019, including the distinction received by our general manager, Marcelo Santillana, Most Profitable CEO in the Mining Industry 2019 and most profitable top CEO in Peru in 2019, awarded

by Semana Económica. We are grateful for his leadership and his capacity to make Poderosa the company we feel proud to work with. We feel happy for this recognition.

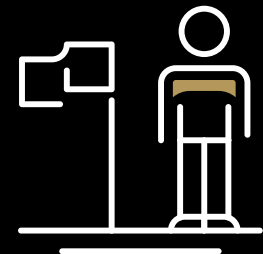
Once again, we would like to express our gratefulness for your trust on us throughout 2019, and we look forward to counting on you in 2020.

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



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## PODEROSA MINING COMPANY

The concept of sustainability is the basis of all our decisions. It is present both in the day-to-day work and in the meetings where the company's major objectives are proposed. It is undeniable: sustainability transforms everyone's future in a positive manner. Being a sustainable company is a commitment we undertake with our stakeholders. That is, we focus on generating positive social impacts and adequate economic results. At the same time, we seek to be a good employer, a good neighbor and to respect the environment.

Our history dates back to 1980 (when the Company was established), we are engaged in mineral exploitation, extraction, processing, and trading. Our focus is underground gold mining, with a middle- size mining approach.

## WHERE DO WE CARRY OUT OUR ACTIVITIES?

We run our operations in the Pataz district and province, in La Libertad Region, Peru. We do not have assets or affiliates abroad. We have treated gold in this area since 1982 nonstop. Our mining rights comprise 104,509 hectares. We perform our operations in 13,574 ha, and our prospection and exploration works take place in the rest of the land, especially in La Lima, to the North and Suyubamba, South of the production sites.

**104,509**  
HECTARES OF MINING RIGHTS





RELEVANT INDICATORS FOR 2019



SALES 2019 (PEN)

1,478'808,822.09

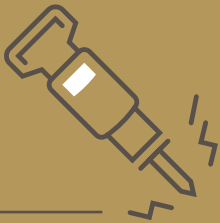
SALES 2019 (USD 442'602,662.64)

233,673

OZ SILVER

312,413

OZ GOLD



NET PRODUCTION (OZ)	TOTAL SALES (IN THOUSAND SOLES)	NET PROFIT (IN THOUSAND SOLES)	NET ASSETS (IN THOUSAND SOLES)
2017 254,600	2017 1'042,051	2017 202,477	2017 647,495
2018 279,537	2018 1'176,586	2018 233,914	2018 782,409
2019 314,023	2019 1'478,809	2019 301,140	2019 966,909



WORKERS IN  
PAYROLL

707



WORKERS OF RELATED CONTRACTORS  
AND MINING COMPANIES

3,081

AWARDS AND RECOGNITIONS



APRIL

ISEM

Fourth International Contest on Best Practices in Occupational Safety in the Mining Industry – 1st place: Reducing response time to emergencies through the use of intelligent helmets in surface mining

ISEM

Fourth International Contest on Best Practices in Occupational Safety in the Mining Industry – 1st place: Reduction of near misses in pneumatic shovel operations through remote control in narrow works

MAY

MEXICAN CENTER FOR PHILANTHROPY (PROMOTED BY PERU 2021)

Socially Responsible Company Award corresponding to 2018

GRUPO HIERRO COMUNICACIONES LATAM

Sustainable Actions Company and Communities

JULY

CONCYTEC

For the project Scientific, Technological Development and Technological Innovation R&D&I, called Selection of potato clones that can be processed into sticks and baked, resistant to late blight and production of high phytosanitary quality seed

AUGUST

UNIVERSIDAD NACIONAL DE TRUJILLO AND GRUPO HIERRO COMUNICACIONES

For holding good relations with our stakeholders in the area of influence

AMAUTAS MINEROS

Recognition for the support and commitment of Poderosa in the diffusion of modern mining practices

OCTOBER

CÁMARA DE COMERCIO DE LA LIBERTAD Y LA CONFIEP

For our contribution to sustainable development in the region and for having received the ISO 37001:2016 certification.

COMITÉ DE GESTIÓN DE LA CALIDAD

Recognition to the Safety Innovation Team for their improvement project management

AOTS

5S National Award (Gold Award. Lima Unit)

AOTS

5S National Award (Gold Award - Marañon and Santa Maria production units)

AOTS

5S National Award (Gold Award – Lima Unit

NOVEMBER

EMPRESARIOS POR LA INTEGRIDAD

Anti-bribery certified company

GOBIERNO REGIONAL DE LA LIBERTAD Y LA CÁMARA DE COMERCIO LA LIBERTAD

National Exporters Day La Libertad Region

DECEMBER

GERENCIA REGIONAL DE MINAS E HIDROCARBUROS DEL GOBIERNO REGIONAL LA LIBERTAD

Recognition and reward for the support in the formalization of artisanal miners, provided by Engineer Marcelo Santillana Salas





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# VISION

TO BE THE COMPANY YOU CAN FEEL PROUD OF  
WORKING WITH

## MISSION

TO RESPONSIBLY TRANSFORM OUR MINERAL  
WEALTH INTO DEVELOPMENT OPPORTUNITIES



# PRINCIPLES AND KEY VALUES

## SAFETY AND SECURITY

We take care of our lives, our health and our  
welfare and that of our colleagues.

## RESPONSIBILITY

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

## TEAMWORK

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

## RESPECT

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

## INTEGRITY

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

## PRODUCTIVITY

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

## LEARNING AND TEACHING

I ask if do not know something, and I share what I  
know.

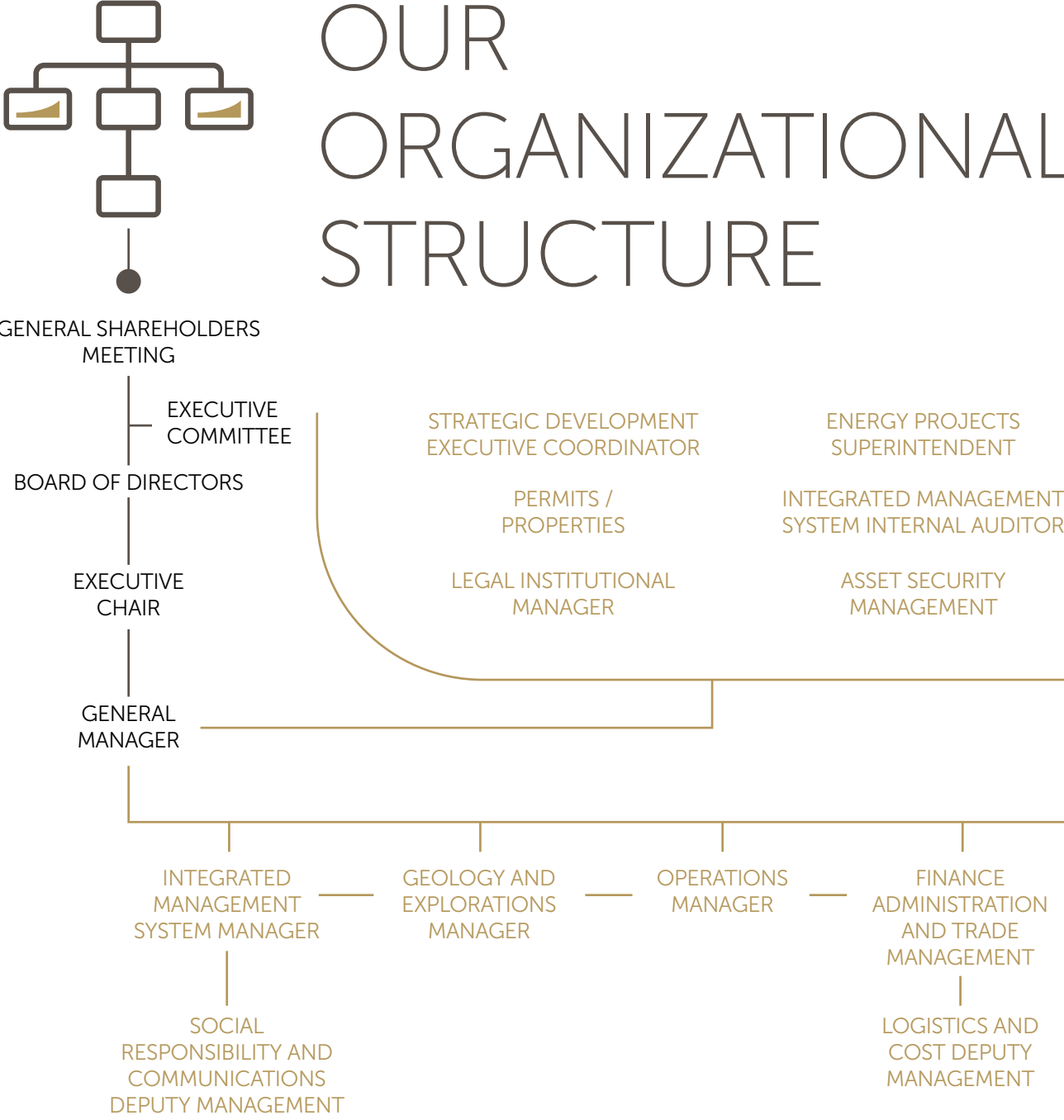


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OFFICERS PER GENDER AND AGE



**13** MEN  
30 – 50 YEARS OLD: **3**  
>50 YEARS OLD: **10**  
**11** LIMA  
**2** LA LIBERTAD



**3** WOMEN  
30 – 50 YEARS OLD: **1**  
>50 YEARS OLD: **2**  
**3** LIMA







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# MAIN IMPACTS, RISKS AND OPPORTUNITIES



The expansion of the Santa Maria I plant to 800 t/d, completed in the middle of this year, provided a total capacity of 1,600 t/d together with the 800 t/d existing capacity of the Marañon plant. This enabled us to process a larger amount of ore. This year we have processed 554,857 metric tons (t) compared to 500,187 tons in 2018. The second stage of the expansion to 1,000 t/d, will be carried out during 2020.

During 2019 the price of gold was favorable, with an average price of USD 1,393.82 per ounce, compared to USD 1,267.68 in 2018. The profit earned as a result of this price and our increased production allowed us to make new investments without harming our financial health. During 2019, USD 107.5 million were invested, 11.5% more than in 2018; however, the leverage index (total debt / ebitda) fell from 0.29 a 0.22.

In the search for better practices, we certified our anti-bribery system under Standard 37001. We are the first mining company in Peru to do so, and we also obtained the Cero Bribery certification awarded by Empresarios por la Integridad.

Our production reached 705,085 ounces of gold contained in 1'256,436 t of mineral reserves, a

record in ounces as in tones. The results achieved can be attributed to the successful explorations in Santa Maria Unit, supported on the expansion of its plant. Although Marañon's resources fell back, we must mention that explorations have started in the northern area, and we expect to revert the situation Marañon is undergoing, with the results in this, and other new areas.

Since the migration of standards ISO 9001 and ISO 14001 to the 2015 version, which was completed in 2018, risks area now being assessed and managed from a risk-based approach. This enables us to foster a proactive risk management culture to reduce and mitigate their probability of occurrence.

THE EXPANSION OF THE SANTA MARIA I PLANT, THE PRICE OF GOLD, THE CERTIFICATIONS OF OUR ANTIBRIBERY SYSTEM, THE EVOLUTION OF RESERVES GENERATED THE MAIN POSITIVE IMPACTS AND OPPORTUNITIES THIS YEAR.



## RESERVES

Mineral resources increased by 4.7%, accounting for 769,649 oz of gold contained in 1'432,743 tons of ore. All the same, the mineral potential of the veins recognized in the Pataz Batholith, both in the surface as inside the mine and from Lima ravine to River Yuracyacu, South, was 7'250,174 ounces of gold.



## ENERGY

The 138 kVA (LAT) power transmission line was suspended, which forced us to design a new Environmental Impact Assessment (EIA) study, called third MEIA, that will enable the expansion of the LAT towards La Flor station. This procedure will take more than two years. We continue to look for alternatives to access cleaner energy.



## ARTISANAL MINING

After completing burdensome procedures, 38 informal miners were formalized, 6 more than in the previous year, with the usual hardships entailed by the formalization process. We hope that these procedures become more efficient in the future and that in 2020 more artisanal miners can become formal.



## SAFETY AND SECURITY

This was not a good year regarding mining safety and security. Unfortunately, we suffered four fatalities, which tarnished our ongoing efforts in this field. The accidentality rate was 7.08 (0.28 in 2018). The number of injuries recorded was 45 (5 less than in 2018). We continue to work with commitment with the safety and security of our workers under the motto "Safety First".



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# PRODUCTION HISTORIC EVOLUTION

Since the start of our operations, and until the end of 2019, we have extracted 3'607,469 oz of gold and treated 8'422,103 tons of ore. As of today, the historic grade of the field is 14.38 grams of gold per metric ton (g/t).

1980 ————— ● 2019

3'607,469  
OUNCES OF GOLD HAVE BEEN EXTRACTED

With respect to the 2019 results, 54,857 t with a grade of 19.17 g/t were treated, obtaining 314,023 oz of gold as a result of the operations in our plants from the treatment of ore coming from our mines and from the collection process. The latter, from artisanal mining undergoing formalization, that operate in our mining rights. This led to selling 312,413 oz of gold fines.

OUNCES OF GOLD OBTAINED IN 2019 ●



314,023



## CORPORATE AND LEGAL INFORMATION

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

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



## PERMITS, APPROVALS AND AUTHORIZATIONS

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



## COMMITMENT WITH THE INDUSTRY AND THE SOCIETY



We actively cooperate with civil society unions, institutions and organizations related to the mining industry that share similar objectives to ours.

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

We are also part of the following institutions:

- Peruvian Canadian Chamber of Commerce
- Mining Safety Institute (ISEM)
- Lima Chamber of Commerce
- La Libertad Chamber of Commerce and Production
- Pro Libertad Business Group
- Peruvian Mining Engineers Institute
- Universidad Nacional de Ingenieria (UNI) Trust.
- Asociacion para el Progreso de la Direccion (APD)
- Asociacion de Buenos Empleadores (ABE)
- Soluciones Empresariales contra la pobreza (SEP)
- Alianza para Obras por Impuestos (ALOXI)

According to our possibilities, we commit to the sustainable development of our area of influence, the region, and the country. At a local level, we participate and work together with the

regional government through agreements with its management areas (health, education, etc.) and we conduct works for taxes programs; we work with the provincial government, through a framework agreement and with the district governments through agreements to perform development projects sponsored by Asociacion Pataz or through our Community Relations Office.

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





## MARKETS AND CLIENTS



We produce dore bars made up of approximately 55% gold, 40% silver and the rest is made up of other metals. The bars are sent to refineries abroad that are LBMA certified, to obtain bars with the London Good Delivery seal, the most appreciated quality standard of precious metals. 99.99% gold and silver bars are sold to our clients in New York or Switzerland, specifically to the largest metal trader in the world and to refineries certified by the London Bullion Market Association.

During 2019, gold production as well as gold price were higher than forecasted. We managed to produce 312, 413 ounces of gold, 12,3% more than in 2018. With respect to silver, we produced 233,673 ounces. Out of our total sales, gold fines accounted for 99%.13 and the rest was silver fines. 2019 was a positive year for gold in the international market. Thus, the uncertainty caused by the trade war between the U.S. and China, as well as the expansive monetary policies of Central Banks, favored the price of gold, which managed to accrue earnings of 18% compared to 2018. The average market price was USD 1,393.82 per ounce of gold, and average price from our sales was USD 1404 per ounce.

In accordance with the company's policy of focusing on our clients, we develop annual surveys in order to measure their satisfaction, and to be able to adapt to their needs and requirements. We also maintain a close relationship and constant communication with them. The survey results or any other concern or request from our clients are shared with the corresponding areas, to work jointly to respond in a fast and effective manner. The results of the customer and refinery satisfaction surveys for 2019 showed 100% satisfaction, which encourage us to continue working to keep our high service and production standards.

## INTERNATIONAL OUTLOOK

The world economy suffered the consequences of an increase in trade barriers, increased uncertainty, and geopolitical risk. As a result of this uncertainty in the markets and the slowdown in global trade, manufacture and investments, Central Banks



supported their weak economies though expansive monetary policies. In China, Europe and in the USA, the Central Banks adopted opposite measures to the ones announced at the beginning of the year, as to mitigate the impact of the trade war between the USA and China. The International Monetary Fund (IMF) reduced its global growth forecast for 2019 from 3.2% to 3%<sup>1</sup>, half percent below the world growth average for the period 2011- 2018. All the same, it forecasts that the growth of developed economies will be 1.7%, lower than that recorded in 2018. On the other hand, in developing economies the

forecast for growth is 3,9%, far below the levels of the former year. World inflation (excluding Venezuela) is expected to reach 4.9%. As opposed to the rest of the world, the American economy continued to grow and employment and consumption rates showed positive results, although the investment sector was affected by the trade war<sup>2</sup>.

The base metal market also suffered the consequences of the reduction in global trade and lower investment levels. Quotations of the base metals, except for nickel, presented slight ups and downs during 2019. The average price per ton of copper was USD 6,020.28<sup>3</sup>, reaching an annual peak of USD 6,556 in April 2019. The price of zinc fell by more than 5% and the average price per ton was USD 2,506.

Gold quotation started the year with a price increase, compared to the last months of 2018, but later, it lost the previous earnings, weakened by US strong economic data, which generated expectations regarding the end of the Federal Reserve support, making gold less attractive. Since the end of May, the price of gold started an upward trend, which lead to increased profits by 18% compared to the former year. It peaked USD 1,552.55 in September 2019, supported mainly by the fear of investors of a trade war between the USA and China. Furthermore, the Central Banks around the world, including the US Federal Reserve, reduced their reference rates to support their battered economies in the event of world trade risks. The average gold quotation for 2019 was USD 1,393.82 per ounce.

The United States Dollar index, the main reference of the US currency compared to six of the strongest currencies in the world was stable during 2019 and peaked in September, as it was used as refuge in the event of the market uncertainty resulting from the trade war between China and the USA. On the other hand, the real rates of the ten-year term US Treasury bonds fell back significantly for the first time in more than three years.

On the other hand, the stock exchange achieved positive results globally. The main US stock exchange indexes accrued earnings: the S&P 500 rose approximately 29% and the Dow Jones,

<sup>1</sup> IMF Global Outlook Report, October 2019

<sup>2</sup> Bloomberg, Trade Wars and Rate Cuts A new equilibrium for the global economy, Tim Orlyk, January 2020

<sup>3</sup> Bloomberg Finance LP



## DOMESTIC OUTLOOK

approximately 22%, both favored by the reduction in the Federal Reserve's reference rates, which lead investors to seek profitability in the stock market. The stocks in the European market accrued earnings for the most part, the FTSE UK index rose by 13%, the German DAX earned profits for 268 and the Spanish IBEX increased in 13%. The Shanghai Stock Exchange Index rose 19% in 2019.

For 2020, the IMF forecasts economic growth in 3.4%<sup>4</sup>, an increase respect to 2019. The possibility of a recession is low, and it is expected that the recovery of the global economy be mainly supported by investment reactivation, given the improvement of the international trade and the recovery of the emerging economies<sup>5</sup>. On the other hand, the risks that will continue to exist in 2020 will be mostly the US foreign policy with the rest of its trade partners, the advancement of the extreme right wing political parties in Europe, inequality and protests in the USA. All the same, the geopolitical risk in the Middle East or North Korea may continue to affect the global economy. Another risk against global growth to be considered is the one related to the economic consequences caused by the rapid expansion of the coronavirus outbreak worldwide. The first cases occurred in the city of Wuhan, China, and rapidly expanded outside this city, causing world alarm. Its impact in the global economy will only be quantifiable when we have clearer information about the infection's duration.

2019 was challenging for the world economies, and Peru followed the global downward trend. The Peruvian economy was not only affected by the international situation, but it was also affected by the local political situation and the deteriorated Latin American instability. The Central Bank of Peru (BCRP) reduced its growth forecast for 2019 from 2.9% to 2.3%<sup>6</sup>, mostly affected by smaller exports and a drop in public investment. Peru was affected by the Latin America economic slowdown, but it continues to position itself among the three Latin American countries with larger growth, despite the reduction in economic growth over the past years.

Another factor that impacted the gross domestic product was a smaller dynamism of the internal demand. The economic sectors with greater buoyance during 2019 were the agricultural, hydrocarbon and construction industries. On the other hand, the industries that showed the worst results were fishery, primary manufacturing, and metal mechanics.

In 2019, mining production contracted mostly as a result of lower grades, social conflicts, and depletion of gold units<sup>7</sup>. The fall in mining exports was mainly due to a backfall in copper prices during the first ten months of the year, and to a reduction in gold and zinc production<sup>8</sup>.

As opposed to the currencies in the region, which depreciated 11.6%, the Peruvian Sol appreciated 1%<sup>9</sup> and closed the year in PEN 3.3120 per US Dollar<sup>10</sup>. Global uncertainty caused by the trade war between the USA and China, lower reference rates by the Central Banks and geopolitical conflicts added volatility to the Peruvian currency, therefore the

BCRP had to intervene in the exchange market to minimize volatility.

The international scenario also impacted the Peruvian trade balance, affected by a reduction in global trade. Despite a less favorable context, the trade balance accrued a surplus of USD 6,560<sup>11</sup> million, 9% below the former year surplus and below the figures expected for 2019. Export reduction is the result of a lower number in shipments of traditional and mining products, and of the drop in quotations of most base metals. The imports volume also fell in 2019.

The inflation rate forecasted by the BCRP for 2019 was 1.9% annual, lower than the one recorded in 2018. As in previous years, the inflation is within the BCRP target rank. The items that positively contributed to inflation in 2019 were the cost of education and electric rates.

The main Lima Stock Exchange indexes accrued earnings during 2019. The selective index, the

indicator that measures the quotations of the 15 more significant shares of the Lima Stock Exchange accrued earnings for 3.72%, and the general index rose 6.08%<sup>12</sup>. The sectors with greater returns during 2019 were electricity, services, and consumption. On the other hand, the sectors with lower yields in the stock exchange during 2019 were the junior mining companies, and the construction industry stock.

The economic situation in Peru during 2019 was less favorable than in former years, not only due to domestic uncertainty as a result of the political situation which led President Martin Vizcarra to close the Peruvian Congress, but also due to the international and regional context. The Peruvian economy economic growth was below world growth levels in 2019. For 2020 the BCRP forecasts an improvement in the Peruvian economy resulting from an increase in exports, given less uncertainty in global trade after the trade agreement between China and the USA in phase one. The GDP is expected to grow to 3.8% in 2020<sup>13</sup>.



<sup>4</sup> Ibid

<sup>5</sup> World Economy vis a vis 2020, Real Instituto El Cano, Federico Steinberg, Jose Pablo Martínez, January 2020

<sup>6</sup> Inflation Report by the Peruvian Central Reserve Bank, December 2019

<sup>7</sup> BBVA Research, Recent Evolution and short-term perspectives, Peru, January 2020

<sup>8</sup> Sociedad Nacional de Minería, Petróleo y Energía, Monthly Statistics Report, October 2019

<sup>9</sup> Ibid

<sup>10</sup> [https://www.sbs.gob.pe/app/pp/SISTIP\\_PORTAL/Paginas/Publicacion/TipoCambioPromedio.aspx](https://www.sbs.gob.pe/app/pp/SISTIP_PORTAL/Paginas/Publicacion/TipoCambioPromedio.aspx)

<sup>11</sup> Ibid

<sup>12</sup> [https://www.bvl.com.pe/merc\\_publico\\_boletindiario.html](https://www.bvl.com.pe/merc_publico_boletindiario.html)

<sup>13</sup> Ibid



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## OUR SOCIAL RESPONSIBILITY APPROACH



Our social responsibility approach is a cross cutting standard in every area of our operations. For this reason, we designed a Sustainability Statement, which is the framework for our policies and actions, reflecting our commitment with our stakeholders and which aims at achieving a positive social impact and adequate economic results.

Operational excellence and security guide our work, within the legal framework and with moral solvency, with social and environmental responsibility approach inside and outside our Company, which allows us to consolidate the trust of our stakeholders.

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



# SUSTAINABILITY STATEMENT



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**Poderosa is mainly a gold producing mining company,** committed to the development of its stakeholders. To this purpose, we believe that it is our obligation to be a sustainable company, by achieving positive social impacts and adequate economic results. We are committed to working ethically and under the good corporate governance principles, to be a good employer, a good neighbor and to respect the environment.



**We believe that is urgent that our stakeholders trust us,** therefore it is absolutely necessary that we work under the legal framework and with moral solvency. We therefore commit ourselves to work transparently, to abide by clear policies, to condemn any kind of corruption, to act against asset laundry, and to reject forced and child labor.



**We believe in being a good employer.** To achieve this goal, we provide a safe working environment, decent camp sites, adequate infrastructure, competitive salaries, and a healthy working environment. We promote respect, teamwork, productivity, continuous improvement, knowledge exchange and innovation.



**We believe in being a good neighbor.** We treat the communities with respect, and we contribute to local development by promoting, within our possibilities, the advancement of the economy, education, health, and governance within our area of influence.



**We believe in sustainable and responsible use of natural resources.** Although every human activity has an impact on the environment, we are committed to prevent, reduce, and mitigate any negative impacts that we generate.



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# MANAGEMENT POLICY



**Management Policy**

We are a primarily a gold mining company. Our mission is to responsibly transform our mineral wealth into development opportunities. We seek to ensure our operations are sustainable and thus we are committed to:

- Focusing all our efforts to comply with our vision, mission and sustainability statement, established principles and values, and to achieve our strategic goals.
- Demonstrating visible line of command leadership with a responsible attitude towards safety, occupational health, environmental management and process quality.
- Acknowledging our stakeholders, their specific needs and requirements, while striving to provide satisfaction and helping them to manage their own progress.
- Developing teamwork, applying continuous improvement circles and the 5S philosophy in our daily activities.
- Continuously improving the performance of integrated management systems.
- Complying with the current legal framework and other voluntarily established requirements in all the activities carried out within our organization.
- Communicating and explaining our policies to every worker employed by or on behalf of Poderosa, as well as to ensure that these are made available to all stakeholders.

**Quality Policy**

- To jointly develop with our employees, effective processes, products and services that are part of a responsible production chain to meet stakeholders' expectations.

**Environmental Policy**

- Protect the environment by preventing, reducing and mitigating the negative impacts we generate.
- Encourage the responsible and sustainable use of natural resources from the life cycle perspective of our products.

**Occupational Health and Safety Policy**

- Prevent all types of work-related injuries, illnesses and incidents by identifying hazards, assessing and controlling risks in our processes.
- Foster participation and consultation of workers to maintain safe facilities and workplaces.

Rev. 06  
March 2018

Mrs. Eva Arias de Sologuren  
Chair of the Board of Directors

Eng. Russell Marcelo Santillana Salas  
General Manager





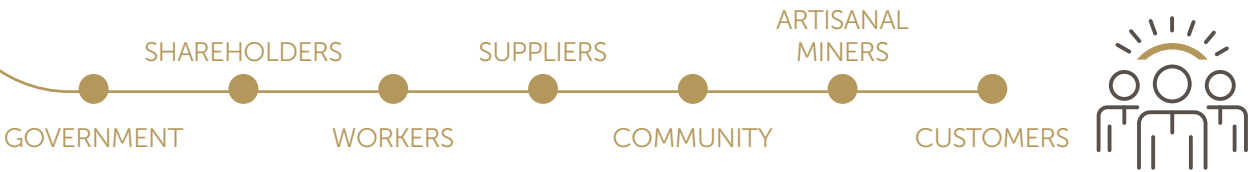
STAKEHOLDERS

Pursuant to the GRI we define “stakeholder”, as follows:

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

Based on a series of principles, we recognize the commitment to our stakeholders, and we promote dialog and communication with them, responding to their expectations and fostering friendly relationships based on trust and transparency.

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



STAKEHOLDERS	DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS
Shareholders: - Majority - Minority	They own the company's assets.	Generate increased economic value for the majority and minority shareholders.	- Important facts - Annual shareholders meeting - Web site - Annual Report - E-mails - Telephone	Company's economic and sustainable development results.
Workers: - Workmen - Employees - Officers	Those who carry out daily tasks, from strategic management down to operations.	To respect individuals and their professional development. Furthermore, to provide a safe working environment, to watch over the health of our workers and to voluntarily comply with international standards, such as OHSAS 18001.	- Daily intranet - Batolito (biannual) and special newsletter (bimonthly) - E-mails - Periodic meetings - Bulletin boards updated once a week - Suggestion box	Life quality improvement within the company. Pleasant working conditions and an enjoyable corporate environment. Good company economic performance and sustainability.

STAKEHOLDERS	DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS
Suppliers: - Local - Domestic - Foreign	The companies or organizations providing products or services to the company.	To advise small and the most vulnerable suppliers in business management matters, to recognize their right to progress, and to help them become agents of their own development.	- E-mails - Periodic scheduled meetings - Visits - Telephone	Timely payments. Growth and continuous development opportunities.
Community - Communities in the direct area of influence - -Communities in the indirect area of influence	The communities and authorities directly or indirectly related to the company's operations. Civil society organizations and local and regional governments are also included.	To respect people and to contribute, within the scope of our operations, to the development of individuals, communities, and Peruvian progress. To recognize our stakeholder's right to progress, and to help them become agents of their own development.	- Periodic meetings - Perception studies (biannual) - Community Batolito (quarterly) and special newsletter (annual) - Radio	Community and population development and welfare. Improvement of their roads, entrepreneurial and employment opportunities, increased products production, and sales.
Government	Group of national, regional, and local organizations directly or indirectly related with our activity.	We generate economic value and development for the country through the taxes we pay, and we carry out our activities respecting the laws and regulations that govern our industry.	Through the conducts established in the regulation that govern our economic activities.	Develop our activities with respect for the environmental and social regulations.
Artisanal miners	Formal artisanal miners working within our direct area of influence who deliver the mineral they extract to be processed by Poderosa.	Support them to carry out safe and environmentally friendly work. Be transparent in the analysis, processing, and treatment of the mineral they deliver. Help them become agents of their own development and that of their community.	- E-mails - Periodic scheduled meetings - Technical Visits - Telephone	Transparent and timely liquidation process, ongoing possibility to grow and develop, support in safety and security aspects.
Customers	The buyers of our final product. There is no customer classification or category.	Produce gold in the most efficient, effective, and flexible way. Maintain the quality of our processes and products, including the voluntary international standards, such as ISO 9001, that ensure customer satisfaction.	- E-mails - Periodic scheduled meetings - Biannual Survey - Telephone	A product that meets customer's specifications.





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## MANAGEMENT SYSTEMS



## RECERTIFICATION OF OUR INTEGRATED MANAGEMENT SYSTEM UNDER ISO 9001 AND ISO 14001- 2015 STANDARDS

Acting in accordance with our social responsibility approach and our commitment to quality, safety, and the environment, we successfully passed the first follow-up audit of our Integrated Management System, and this way, we kept our certification and we continue to be part of the group of leading and highly competitive organizations worldwide. This achievement, which helps us improve company performance, has made us more competitive and has generated synergy between our processes and the management processes, focused on meeting the established goals. The news in these versions are:

- Customer and interested party satisfaction
- Risk based approach
- Pollution prevention
- Continuous improvement, which is at the core of the systems. With respect to environmental management, the life cycle perspective has been included.



## CERTIFICATION OF OUR ANTI-BRIBERY MANAGEMENT SYSTEM ISO 37001:2016

We recognize that we must fight against corruption affecting Peru at every level, so we worked hard to obtain the certification that warrants our compliance with the requirements demanded by the International ISO 37001:2016 Anti-Bribery Management System Standard. For us it is of great value to establish and enforce a culture of integrity, transparency, compliance, and anti-corruption in all our processes.

Poderosa was the first mining company to receive this certification granted by BASC Perú and Perú Certification.



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# GOOD CORPORATE GOVERNANCE



The General Shareholders Meeting leads our governance structure. It is mainly accountable for the company's social management and annual results; it also elects and promotes the Board of Directors, appoints the external auditors, modifies the by-laws, and restructures the company.

- The Board of Directors is the body responsible for managing the company
- The Executive Committee of the Board of Directors decides on any kind of situations that require an additional decision to the one made by the General Management.
- The Board of Directors' Auditing Committee supervises and ensured integrity and transparency of the corporate information and identifies and assesses risks that could affect the development of our operations.
- The Board of Directors Ethics and Good Corporate Governance Committee oversees the compliance with the Good Corporate Governance guidelines, mechanisms, and procedures.
- The Strategy and Sustainability Committee designs, analyses and reviews strategies and plans.
- The General Management is responsible for the correct steering of the company; it executes the policies and decisions of the Board of Directors and General Shareholders Meetings.
- The Administrative, Finance and Trade Management; Operations Management, the Comprehensive Integrated Management, Social Responsibility Management and Geology and Explorations Management are each accountable for their own affairs, to meet the company's annual plan.

Our Board of Directors is made up by eleven official members and eight alternate members, elected by the General Shareholders Meeting for a three-year period. From the eleven official members, ten are non-executive Directors; eight are men and three are women. The Chairperson of our Board has been elected with executive functions.

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



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

On the other hand, there is no formal procedure to assess the Board of Directors' performance. The shareholders choose the board members based on their capacities and experience and assess the Board of Directors' general performance. In the case of the Committees, the Board as a whole is responsible for appointing its representatives, following the same

criteria. The company does not have an established procedure to deal with conflicts of interests within the Board.

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

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





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

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

Upon agreement of the annual shareholder meeting, dated March 14, 2019, the share capital of the company was increased by a total amount of PEN 147’000,000.00, from PEN 216’000,000.00 to PEN 363’000,000.00, which implied the issuance of 147’000,000 released shares, which were delivered on July 25, 2019. Therefore, as of the end of the year, the company has a capital stock of PEN 363’000,000.00, fully subscribed, and paid. The capital stock is represented by 363’000,000 common shares at a nominal value of PEN 1.00 each, with voting rights. 51.2781% % of this stock corresponds to domestic shareholders (accounting for 186’139,387 shares) and 48.7219% are held by non-domiciled shareholders (representing 176’860,613 shares). All the same, we must mention that Poderosa is not a part of any economic group.

## Shareholder breakdown

HOLDING	NUMBER OF SHAREHOLDERS	PARTICIPATION (%)
Less than 1%	185	2.30
Between 1% - 5%	1	4.25
Between 5% - 10%	2	19.26
More than 10%	5	74.19
<b>Total</b>	<b>193</b>	<b>100</b>

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

## Participation of main shareholders per number of shares held

67’140,974	18.50%
Talingo Corporation	
58’247,481	16.05%
Arias Vargas, Victoria Isabel	
55’238,668	15.22%
Arias Vargas de Sologuren, Evangelina	
50’672,930	13.96%
Cori Apu SAC	
37’982,520	10.46%
South America Mining Investment	
34’955,492	9.63%
Xelor Shipping Limited	
34’955,490	9.63%
Zulema Invest Limited	

## Main shareholders

N°	NAME	NATIONALITY
1	Talingo Corporation	British Virgin Islands
2	Victoria Isabel Arias Vargas	Peruvian
3	Evangelina Arias Vargas de Sologuren	Peruvian
4	Cori Apu SAC	Peruvian
5	South America Mining Investment	British Virgin Islands
6	Xelor Shipping Limited	British Virgin Islands
7	Zulema Invest Limited	British Virgin Islands

# DIVIDEND POLICY

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

## Variable income

ISIN CODE	MNEMONIC	MONTH	QUOTATION 201(PEN)				AVERAGE PRICE
			OPENING	CLOSING	MAXIMUM	MINIMUM	
PEP635001006	PODERC1	2019-01	7.50	9.00	9.00	7.50	7.90
PEP635001006	PODERC1	2019-02	10.35	12.49	12.88	10.35	12.09
PEP635001006	PODERC1	2019-03	11.50	11.50	11.50	11.50	11.46
PEP635001006	PODERC1	2019-04	10.96	10.96	10.96	10.96	10.96
PEP635001006	PODERC1	2019-05	10.70	11.00	11.01	10.50	10.71
PEP635001006	PODERC1	2019-06	11.00	15.40	15.40	11.00	14.09
PEP635001006	PODERC1	2019-07	10.20	10.42 *	10.42	10.05	10.38
PEP635001006	PODERC1	2019-08	10.40	9.40	10.42	9.40	9.69
PEP635001006	PODERC1	2019-09	9.42	10.60	10.60	9.42	10.35
PEP635001006	PODERC1	2019-10	10.01	10.79	10.79	9.40	9.68
PEP635001006	PODERC1	2019-11	10.10	9.40	10.10	8.78	9.37
PEP635001006	PODERC1	2019-12	9.70	10.00	10.00	9.70	9.93

\*Quotation excluding delivery of 68.06% shares released on 07/25/19



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# STOCK EXCHANGE QUOTATION

During 2019, the shares were quoted as follows, in average:





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## TAX AND LEGAL CONTINGENCIES



### TAX CONTINGENCIES

As of December 31st, 2019, there were several tax proceedings against the Tax Authority pending solution, most of them have been appealed before the Tax Court. The procedures refer to the following periods:

- Income Tax for the year 2003: Objections were determined which reduced 2003 tax loss in PEN 11,436,000 thousand and imposed a fine of PEN 2,789 thousand (interests not included) for an alleged loss which was unduly stated. It has been appealed and is pending resolution before the tax court.
- 2009 Income Tax: Objections were determined for an omitted amount of PEN 309 thousand, plus a fine of PEN 155 thousand for omitted taxes. This case is being pursued before the Judiciary.
- 2010 Income Tax: Objections were determined for an omitted amount of PEN 4,010 thousand, and a fine for PEN 5,630 thousand, for 2010 income tax adjustment. It is being appealed before the tax court.
- 2011 Income Tax: The Tax Authority served the start of a partial control for the 2011 income tax. On June 2016 determination and fine orders were served, both have been challenged and are pending resolution by the Tax Administration.
- 2012 Income Tax: Objections were determined for an omitted amount of PEN 1,639 thousand, which appeal is pending resolution by the tax court.
- 2015 Income Tax: Objections were determined for an omitted amount of PEN 1,891 thousand and a PEN 945 thousand fine for omitted taxes, which has been challenged and is pending resolution by the tax administration.



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### LEGAL CONTINGENCIES

As of December 31, 2019 there were several pending complaints against the company, which include payment of the following: a) A claim for compensatory damages arising from an out of contract responsibility, and other for an approximate amount of PEN 450,000; b) Obligation to pay PEN 6,200,000; c) Invalidity of an administrative action for PEN 4'188,000; and d) Social benefits and damages resulting from breach of labor regulations in favor of former company workers and contractors for approximately PEN 34'802,000.

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



### DIRECTORS RESUME

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

### OFFICERS RESUME

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





PART TWO

# OPERATIONAL EXCELLENCE



# PROCESS MAP

## NEEDS AND EXPECTATIONS

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

## STRATEGIC PROCESSES

Sustainability and Comprehensive  
Management Systems



Direction  
Management



Financial and Economic  
Management

## LICENSES, AUTHORIZATIONS AND PERMITS

## OPERATION PROCESSES

### PRODUCTION OF MINERAL RESOURCES

1. Survey
2. Exploration
3. Resource estimation
4. Mineral Control

### MINE PLANNING

1. Extraction of reserves
2. Planning and budgeting
3. Design and engineering

### MINING

1. Mine Services
2. Progress
3. Exploitation
4. Mineral extraction/  
waste rock
5. Waste rock disposal

### PROCESSING

1. Metallurgy
2. Crushing
3. Grinding
4. Concentration  
and agitation
5. Sedimentation  
and agitation
6. Precipitation
7. Refining
8. Tailings disposal

### TRADING

1. Export
2. Satisfaction  
measurement
3. Grievance  
mechanism

## SUPPORT PROCESSES

- Chemical analysis
- Energy
- Transportation
- Logistics

- Human resources
- Maintenance
- Information technology
- Engineering and  
infrastructure projects

- Community  
relations
- Legal
- Communication
- Collection

## SATISFACTION

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





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MANAGEMENT INDEX



					ACUM. 2018	ACUM. 2019
Security				Frequency Severity	2.07	2.22
				Accidents Near	133	3,183
				misses / incidents	0.26	7.08
					1,103	1,082
Geology	Progress		Progress DDH(m)	44,378	50,059	
	Resources		Resource Tons	1'344,904	1'432,743	
			Resource Ounces	734,982	769,649	
			Resource Grade	17.00	16.71	
Reserves		Resource Tons	1'145,511	1'432,743		
		Resource Ounces	666,220	769,649		
		Resource Grade	18.09	17.47		
Mine				Mineral sent to plant (Mine+LA) (t)	393,543	423,603
				H + V Operation progress (m)	44,710	48,009
				Positioning work	10,110	7,881
				Development work	14,576	14,940
				Mine work	18,342	21,780
				Raise boring Progress	382	2,038
				Raise climber Progress	1,300	1,370
				Tmb/Tar_Total	2.81	2.81
				TMT/Tar_Total	0.90	0.94
				Prepared Mineral - (accessibility 0 - 3 months)	4.95	5.33
Plant	Marañon	Resource Production	Mine	Treated (Mt)	134,096	142,984
				Estimated mill head grade (gr/MT)	13.22	11.39
				Recovery (%)	94.75%	96.36%
				Production (ounces)	54,357	51,980
		Designated task	Treated (Mt)	19,789	32,398	
			Estimated mill head grade (gr/T)	36.74	38.91	
			Recovery (%)	89.15%	90.80%	
			Production (ounces)	20,393	36,633	
		Potential production	Free exploration	Treated (Mt)	116,590	112,603
				Estimated mill head grade (gr/T)	24.64	27.38
				Recovery (%)	86.75%	89.07%
				Production (ounces)	80,249	87,452
		Marañon Accrued		Treated (Mt)	270,476	287,985
	Estimated mill head grade (gr/T)			19.86	20.74	
Recovery (%)	89.71%			91.42%		
Production (ounces)	154,999			176,066		

ACUM. 2018 ACUM. 2019

Plant	Santa Maria	Resource Production	Mine	Treated (Mt)	229,563	266,872
				Estimated mill head grade (gr/T)	18.24	17.47
			Recovery (%)	92.53%	92.08%	
			Production (ounces)	124,506	137,957	
		Designated task	Treated (Mt)	148		
			Estimated mill head grade (gr/T)	21.17		
	Potential Production	Free exploration	Recovery (%)	87.15%		
			Production (ounces)	32		
	Collection (cl)	Santa Maria Accrued		Treated (Mt)	229,711	266,872
				Estimated mill head grade (gr/T)	18.24	17.47
		Recovery (%)	92.53%	92.08%		
Maintenance				Production (ounces)	124,538	137,957
				Treated (Mt)	116,590	112,603
				Estimated mill head grade (gr/T)	24.64	27.38
				Recovery (%)	86.75%	89.07%
				Production (ounces)	80,249	87,452
				Treated (Mt)	500,187	554,857
				Estimated mill head grade (gr/T)	19.12	19.17
				Recovery (%)	90.95%	91.71%
				Production (ounces)	279,537	314,023
				Total Energy (MW-h)	73,666	85,069
			Hydraulic Energy Cost (USD/kW-h)	0.0594	0.0396	
			Thermal Energy Cost (USD/kW-h)	0.3854	0.3067	
			National Grid Cost (USD/kW-h)	0.0611	0.0663	
			Palca Energy (KW-h)			
			Trackless Mechanic Availability	89.72%	92.48%	
			Conventional Mechanic Availability	83.52%	85.09%	
			kW-h /Gross metric ton	58.53	62.67	
			Kw -hr. / TMT	147.28	153.32	
Human resources				Company Staff	709	707
				Specialized company Staff	2,964	3,081
				Operating Staff	2,865	2,955
				Investment Staff	808	833
				Total staff	3,673	3,788
				Total mine staff (28/14)	2,449	2,525
				Annual staff turnover (%)	63%	60%
Sales and costs				Sales Au and Ag (USD)	357'923,640	442'602,663
				Sales Au (oz.)	279,543	312,413
				Average Au sale price (USD/oz.)	1,267.7	1,404.5
				Production Cost (USD/Mt)	229.3	231.3
				Production Cost (USD/oz.)	441.3	451.5
				Effective Cost (USD/oz.)	550.5	583.8
				Total Cost (USD/oz.)	810.1	852.8
				Cubing Cost USD/cubed oz.	168.6	159.2
				US\$/kW-h consolidated	0.0944	0.1023
Investment				Investment US\$/oz.	491.78	483.70
				Normal Investment USD	49'487,197	89,019,305
				Growth Investment USD	46'937,130	18,485,300
Finances				Ebitda (USD) NIC 21 (last 12 months)	160'274,134	203'635,645
				Ebitda (USD) NIC 21 (2019)	160'274,134	203'635,645
				Coverage Index (Ebitda/interests)	87.52	79.42
				Debt service coverage ratio	24.12	5.05
				Leverage Index		
				(total financial debt / Ebitda (last 12 months))	0.29	0.22
				Additional banking financing USD	21'528,749	17'978,857
				Collateral coverage = collateral / principal balance	13.81	23.02



102-7



103-2

GROWTH STRATEGY



PROSPECTION

During 2019, 60 field campaigns were carried out among the Nina Urqu, Pataz Batholith, Santa Filomena, Ariabamba, Daniel and Montañitas (Estrella Dorada, La Mashgua P, La Mashgua, La Savana, Las Ricachas and Uctubamba sectors), covering an approximate area of 60,000 ha at different working scales and using different methodologies, according to the specific goals. We must highlight the discovery of several prospective zones regarding epithermal gold systems. All the same, we performed a hyperspectral survey of the Montañitas project drills. This new technology allowed the identification of hydrothermal alteration halos related to a possible disseminated gold mineralization, which, together with the magnetometric information lead to the extension of the exploration through long drill diamond drilling.

TECTONIC EVOLUTION AND 4D STRUCTURAL MODELING PROJECT

This research and exploration project was carried out under an agreement with the Centre For Exploration Targeting, University of Western Australia, the Project allowed establishing the field evidence and geochronology studies of two different regional tectonic-structural domains, with direct implication in the gold mineralization styles, among which, the gold vein systems related to the north sector intrusive and the porphyry-epithermal mineral system in the southern sector.



EXPLORATION AND DEVELOPMENT

During 2019, 22,821 m of mining exploration activities were carried out, together with 50,059 m of diamond drilling. The estimated ratio at the end of the year was 12.16 oz Au/m (P+D).

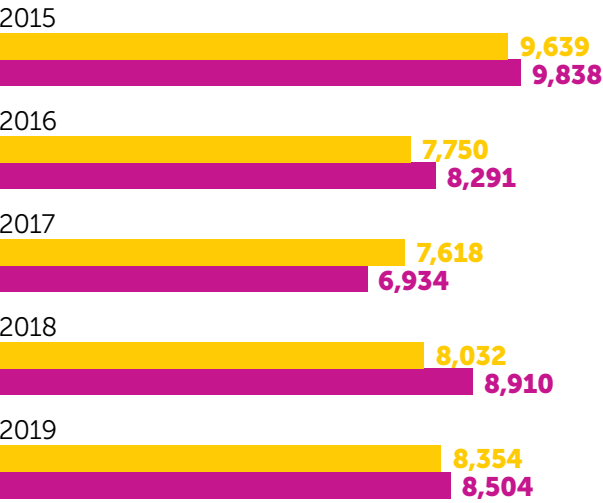
EXPLORATION AT MARAÑON PRODUCTION UNIT

Exploration works took place in the Pajilla, Karola Techo, Choloque, Pencas, Rosángela, Consuelo, Lola 1, and Arisa veins.

24,073 meters of diamond drilling were executed. With respect to mining activities, these comprised 8,504 meters out of which 3,948 meters corresponded to positioning works and 4,556 meters to development works.

On the other hand, two cuts are being executed: 1680 CR SE (south east cut) and level 1800 CR E to

Progress 2015-2019 Marañon Production Unit (m)



PROGRAMMED EXECUTED

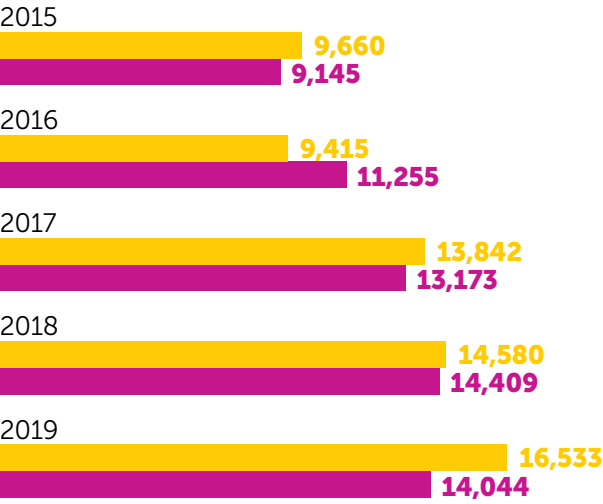
reach Luz and Mercedes veins, correspondingly. CR 5000 is being executed at level 1915 as a long-term activity, this will allow identifying new mineralized sector and the integration of this Unit with the Santa Maria Production Unit.

EXPLORATION AT THE SANTA MARIA PRODUCTION UNIT

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

25,985.40 meters of diamond drilling were executed. With respect to mining activities, these comprised 14,043.58 meters, out of which 3,769.78 meters corresponded to positioning works and 10,273.80 meters to development works.

Progress 2015-2019 Santa Maria Production Unit



PROGRAMMED EXECUTED

EXPLORATION AT THE PALCA PRODUCTION UNIT

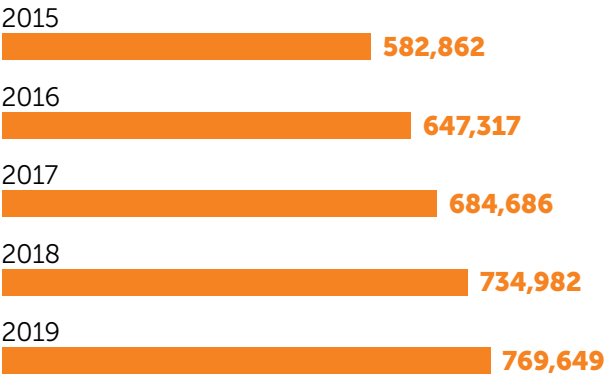
Mining exploration and diamond drilling works were executed at level 3190 to position and recognize structures in the Diana and Poderosa veins. 273.40 meters of diamond drilling were executed, out of which 163.40 corresponded to positioning works and 110 to development works.



RESOURCES

At the end of the year, the company obtained 769,649 ounces of gold contained in 1'432,743 tons of mineral resources. Currently, the total content of gold in the field; that is, mineral resources, plus mineral extracted, reached 4'437,515 gold ounces.

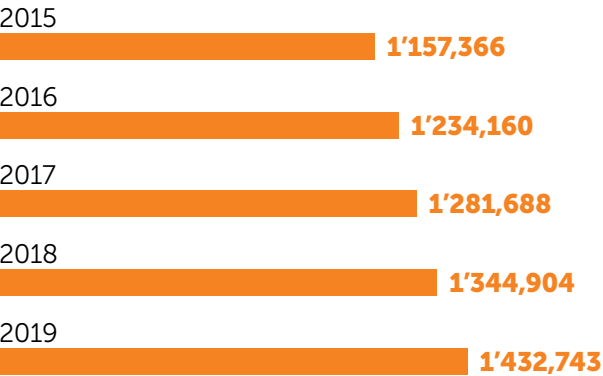
Total fine contents of gold ounces 2015-2019



769,649

GOLD OUNCCES EXTRACTED BY THE END OF THE YEAR

Mineral resources in tons 2015-2019



MINE OPERATIONS MANAGEMENT



Producing the largest possible amount of gold must go hand in hand with efficiency, safety, and security for the workers and with environmental care. We place strong emphasis in meeting this goal, with utmost commitment to safety and security.

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

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

MINE

MARAÑON PRODUCTION UNIT

Production was 74,970 t and 36,790 ounces of gold, which represented goal compliance of 91% and 107%, correspondingly. 41,372 t were produced, out of which 10,745 ounces of gold in exploitation works; 15,840 t and 4,084 ounces of gold were produced in development and preparation works; in assigned works the total was 17,758 t and 21,961 ounces of gold.

Mine recovery was 93.93%. Production deficit, among other factors, was the result of lack of reserves in the Don Jesus, Rosángela (levels 1915 and 1800), Pencas (level 1680), Arisa (level 2335), Karola Techo (level 1410).

Resource Production in the last 5 years - Marañon Mine (t)

	MARAÑON PLANT	SANTA MARIA PLANT	TOTAL
2015	170,089		170,089
2016	142,618	110	142,728
2017	130,320		130,320
2018	87,414		87,414
2019	74,970		74,970

Resource Production in the last 5 years - Marañon Mine (oz)

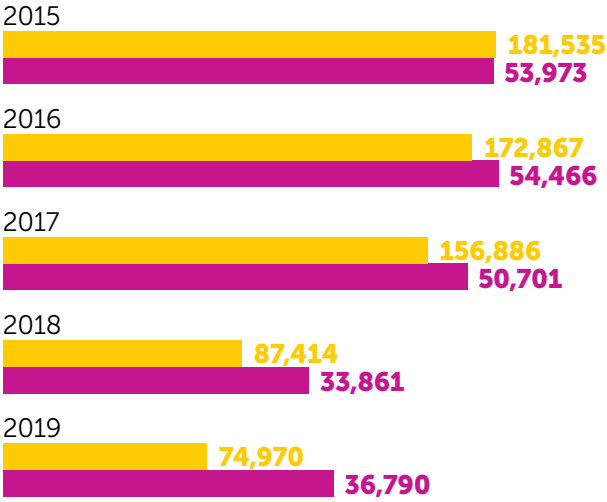
	MARAÑON PLANT	SANTA MARIA PLANT	TOTAL
2015	47,285		47,285
2016	51,859	58	51,917
2017	49,158		49,158
2018	33,861		33,861
2019	36,790		36,790



103-1  
103-2  
103-3



Resource Production in the last 5 years -  
Marañon Mine

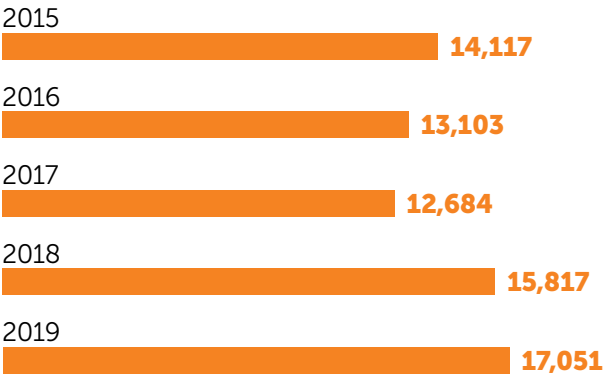


t oz

36,790

GOLD OUNCES PRODUCES IN THE MARAÑON  
PRODUCTION UNIT

Marañon Annual Progress (m)



Improvements in mining operations

**Radio communication system inside Karola, Pencas and Consuelo mines:** In 2019 more than 2 km of *leaky feeder* cable were installed, compared to 2018 in Pencas, Karola, Estrella and Consuelo mines, to improve operation efficiency.

**Gas monitoring system and main ventilator control in Papagayo mine:** Gas monitoring equipment was installed in RC (*raise climber*) 37, level 1915. The SCADA program was implemented for the automation of the main fans.

**Pajilla Mine:** 360 m of positioning Works were carried out at level 1800 CR NW.

**Tingo Mine:** 180 m of the Estrella Ramp were developed with trackless equipment, to intersect Karola Techo vein at level 1400. 340 m of raise borer 31 of the ventilation project were competed. At level 1467 CR NE, 734 m were executed to integrate extraction with CR 500. At level 1800 CR SE 2, 588 m were executed, parallel to CR 5000. At level 1915 we continue working on the CR 5000 project, to intersect Lorena, Rosangela and Don Jesus veins. The ventilation Project for RC 58 levels 1915 to 2300 was performed.

**Consuelo Mine:** Ramp KATY (-) was started at level 2300 to cut Lola 1 vein at levels 2250 and 2200. Currently, the ramp has reached level 2220. CR S was performed to the positioning chamber at Consuelo vein. We continue to work on CR NE for the positioning chamber at Arisa vein, level 2300. We developed RB 28, 29 and 30 from level 2300 to 1915 to the spillway.





SANTA MARIA PRODUCTION UNIT

During 2019, 367,285 t have been treated to produce 189,781 oz of gold, with a recovery rate of 92.76%. From the total production of Santa Maria mine, coming from pits, development, and preparation works, 352,644 t were extracted, obtaining 175,108 ounces of gold. 14,640 t or ore from assigned works were treated, with a result of 14,673 ounces of gold.

All the same, 30,685 m vertical and horizontal works were executed, out of which 14,044 m correspond to exploration works, 8,840 m to development works and 7,802 m to preparation works.

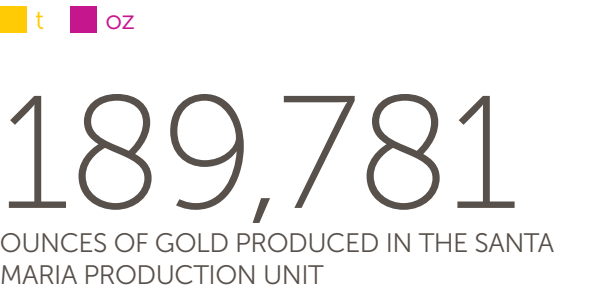
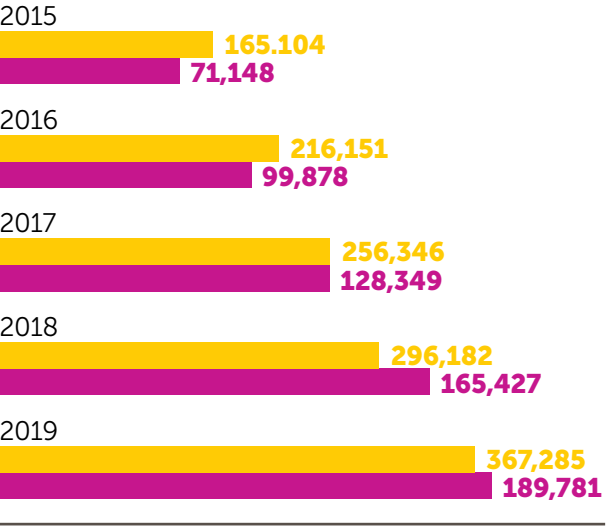
Resource production in the last 5 years – Santa Maria Mine (t)

ORIGIN	SANTA MARÍA MINE		
	TREATMENT	MARAÑON PLANT	SANTA MARIA PLANT
2015		11,447	153,657
2016		42,637	173,514
2017		37,213	219,132
2018		66,471	229,711
2019		100,413	266,872

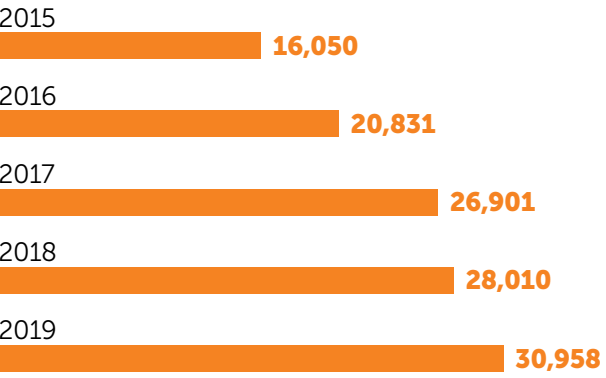
Resource production in the last 5 years – Santa Maria Mine (oz)

ORIGIN	SANTA MARÍA MINE		
	TREATMENT	MARAÑON PLANT	SANTA MARIA PLANT
2015		6,688	64,460
2016		17,414	82,464
2017		14,822	113,527
2018		40,889	124,538
2019		51,823	137,957

Resource production in the last 5 years – Santa Maria Mine



Santa Maria annual progress (m)



Improvements in mine operation

**Compressed air circuit:** In order to improve the compressed air pressure at the different work sites, we continued to install 2,900 m 10” diameter Alvenius pipes in the main circuits.

**Effluent treatment system:** Sedimentation ponds and concrete ditches were built at level 3100 to have better control of the concentration of suspended solids and of arsenic in the effluents.

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

**Communication system inside de mine:** In order to have timely information in case on an event inside the mine, the radio communication system was expanded further (*leaky feeder 3,500 m*) at the different levels.

**Fines recovery:** Fine recovery was carried out in the different works through sweeping, use of a vacuum in the pits, and cleaning of ponds and roads. 2,345 ounces of gold were recovered.

**Raise boring chimney:** In order to improve the ventilation flow at the different mining sites, *raise boring* chimneys were executed (RB 04 = 202 m and RB 05 = 321 m).

**Hydraulic filling:** Progress was made on the construction of the temporary hydraulic filling plant, as well as on the installation of pipes inside the mine (5,690 m) to provide better balance to the rock wall and to control the subsidence of the spaces created by the pit exploitation. We will continue to implement the hydraulic filling circuit. This will increase productivity and safety of the operation.

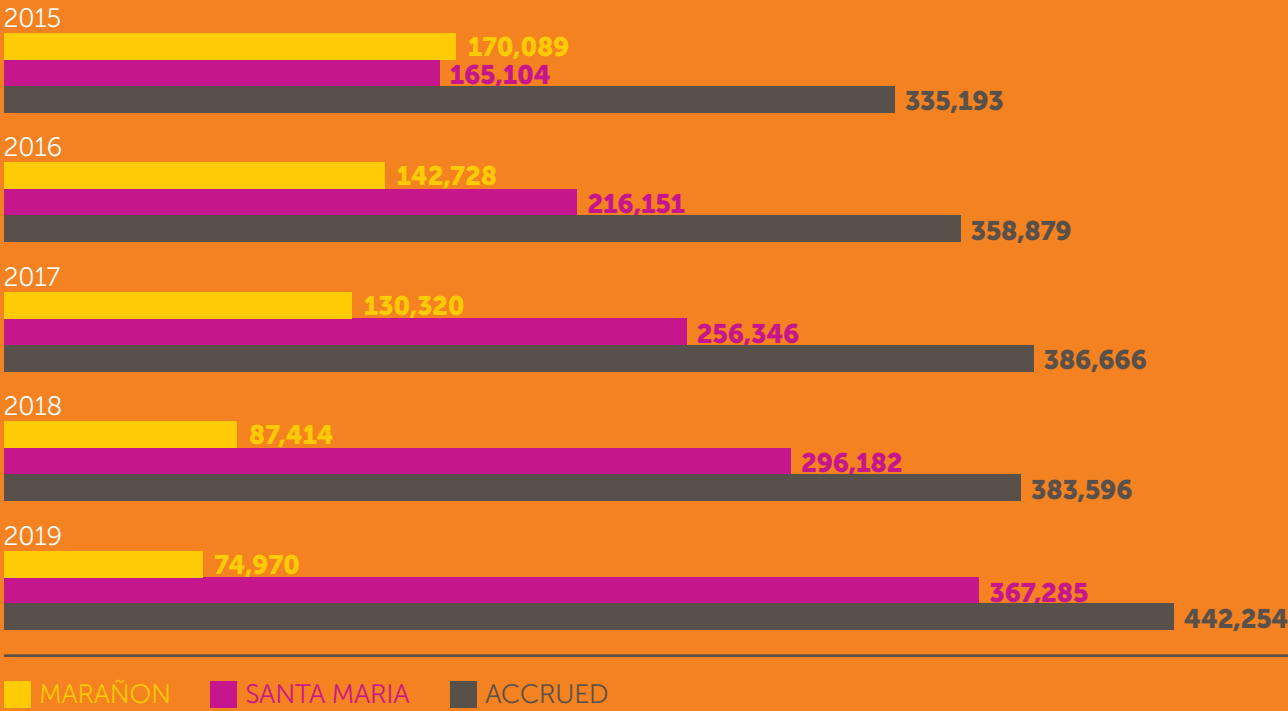
**Santa Maria Production Unit integration ramps:** Ramps have been developed inside the mine to connect level 3100 with level 2410, this added 4,571 m achieving greater connectivity between the works.





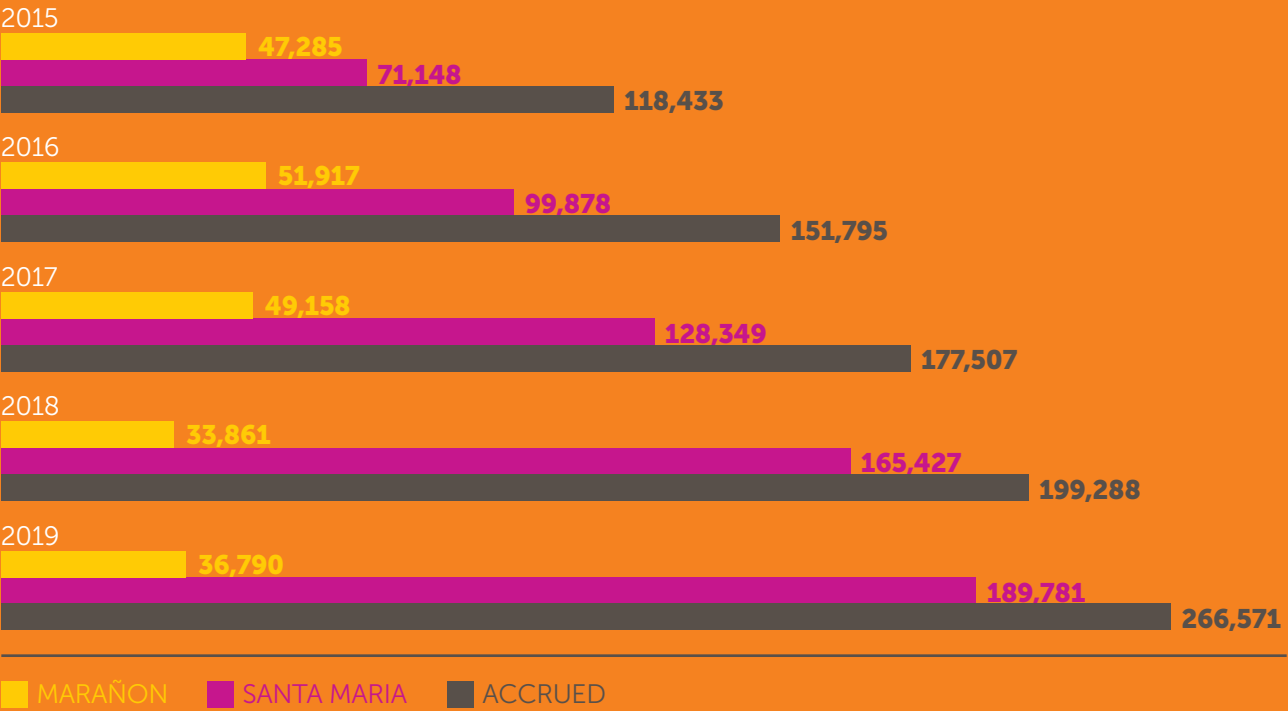
# RESOURCE PRODUCTION

MARAÑÓN + SANTA MARIA + ACCRUED (T)



# RESOURCE PRODUCTION

MARAÑÓN + SANTA MARIA + ACCRUED (OZ)





PLANT

554,857 t were processed in the Marañon and Santa Maria I plants, obtaining 314,023 ounces of gold. Out of the total processed, 287,985 t corresponded to the Marañon plant and 266,872 t to the Santa Maria I plant. Accrued gold recovery at the beneficiation plants was 91.71%. We highlight the following achievements during this year:

MARAÑON PLANT

- The quality of the crushed product below 3/8" was kept in average above 97.2%.
- 1,932 ounces of gold were sent back from the gold tailings pond in the solution recirculated at the plant.
- Total recovery increased from 89.71% to 91.42% as a result on the improvement in the grinding grade, through the installation of a 9.5'x12' mill in the primary grinding stage, therefore, the 8'x10' mill is now being used secondary mill and the 5'x10' mill is now used for concentrate regrinding.

- In addition, the following investment projects were performed:
- The 9.5'x12' mill started running in the grinding facility on January 2, 2019.
  - At the refinery, the 500 kg capacity induction ovens started operating.
  - The press filter N°15 started operation in the tailings filtering plant.
  - The third stage of the Livias tailings pond was started.

SANTA MARIA PLANT

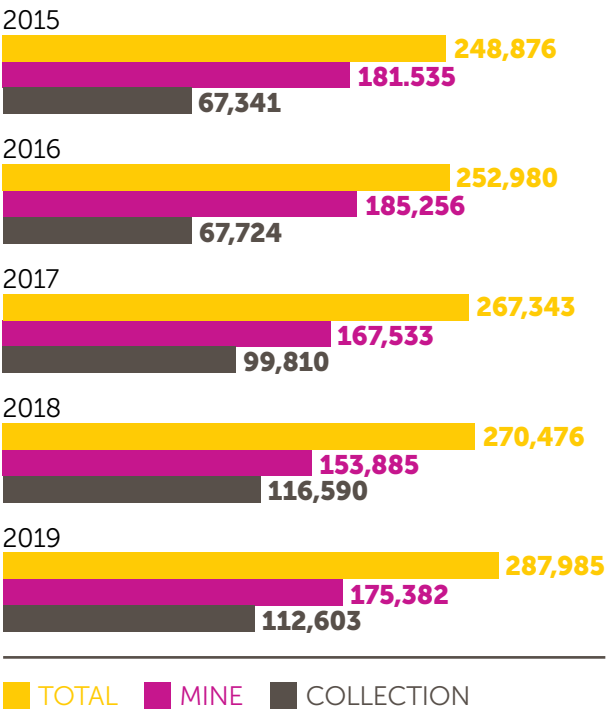
- The quality of the crushed product below 3/8" was kept in average above 99%.

- 1,325 ounces of gold were recovered from the tailings ponds, in the solution recirculated into the plant.
- Since August, there was an increase in gold recovery from 91.64% to 92.52% in average, after the commissioning of the grinding circuit with 9.5'x12' and 6'x12' mills, the commissioning of thickening N° 12 and agitators N° 9 and N° 10.
- The flow treated in precipitation was increased from 75 m3 /h to 100 m3 /h, and there was an increase in precipitation recovery from 97.8% to 98.8%, after getting rid of the defects in the vacuum tower.

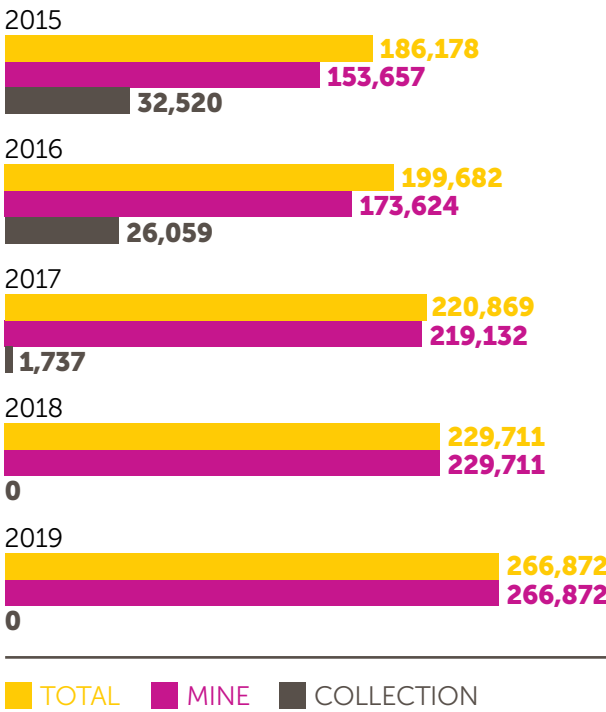
In addition, the following projects were developed:

- The expansion of the griding and gravimetric concentration circuit were completed, to reach a treatment capacity of 1,000 t/day of mineral, with a 9.5'x12' mill in the primary grinding, a 7.5'x12' mill in the secondary grinding and a 6'x12' mill for concentrate regrinding.
- In July, the overhaul of thickener N° 7 was completed.
- In August, the expansion works of the agitated leach circuit was completed with the installation of two 25'x24' agitators. The circuit is now made up by a total of six agitators.
- In October, thickener N°12 started operating as part of the Santa Maria plant expansion.
- In December, the water treatment plant of the Hualanga tailings deposit entered in operation.
- The year ended with a 95% progress in the installation of the countercurrent washing circuit with sulfur and silicate cyclones, coil tailings classification circuit with high frequency vibrating screen and filtered tailings discharge belt of the pneumatic filters module N° 5.

Annual treated tonnage –Marañon Plant



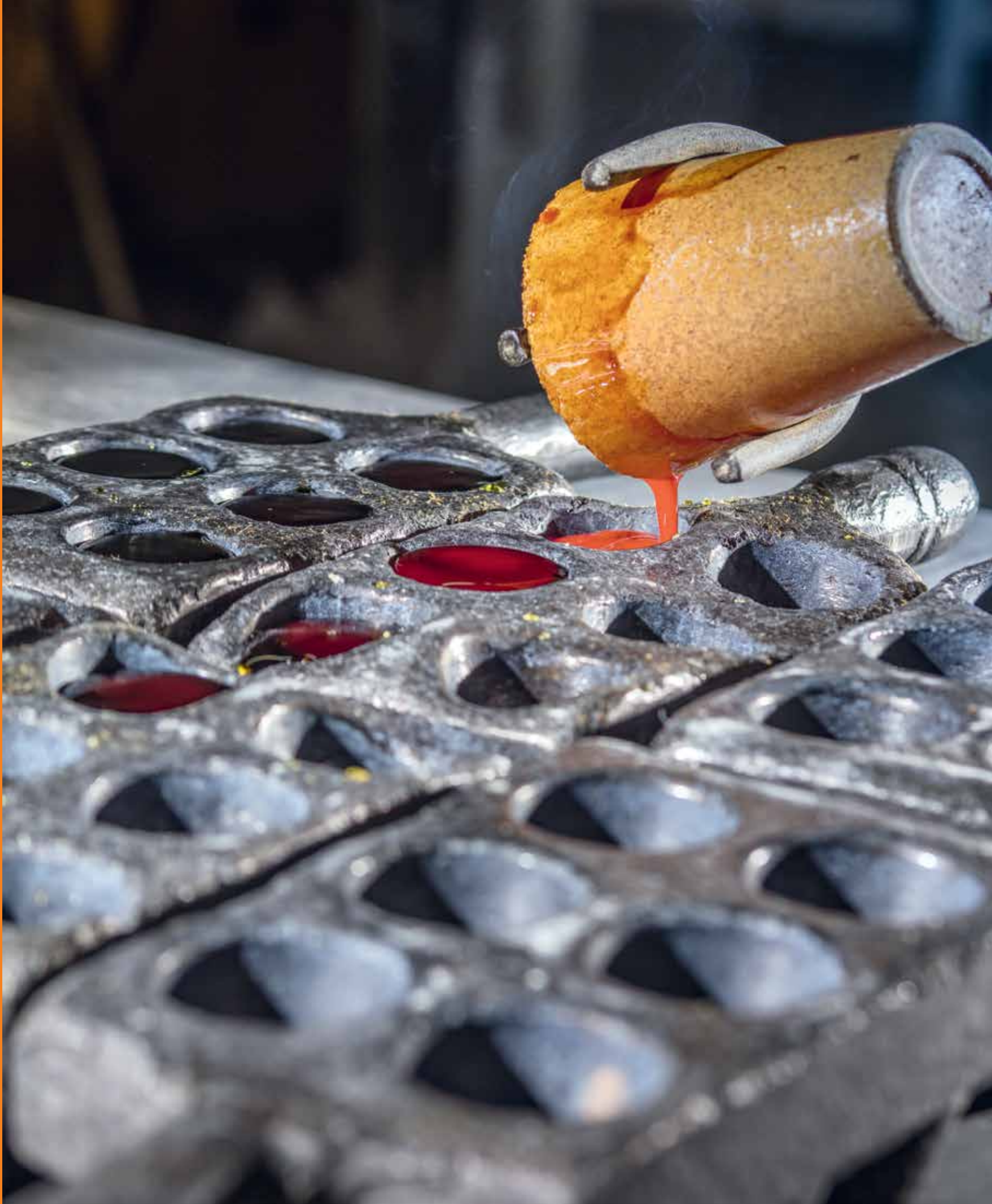
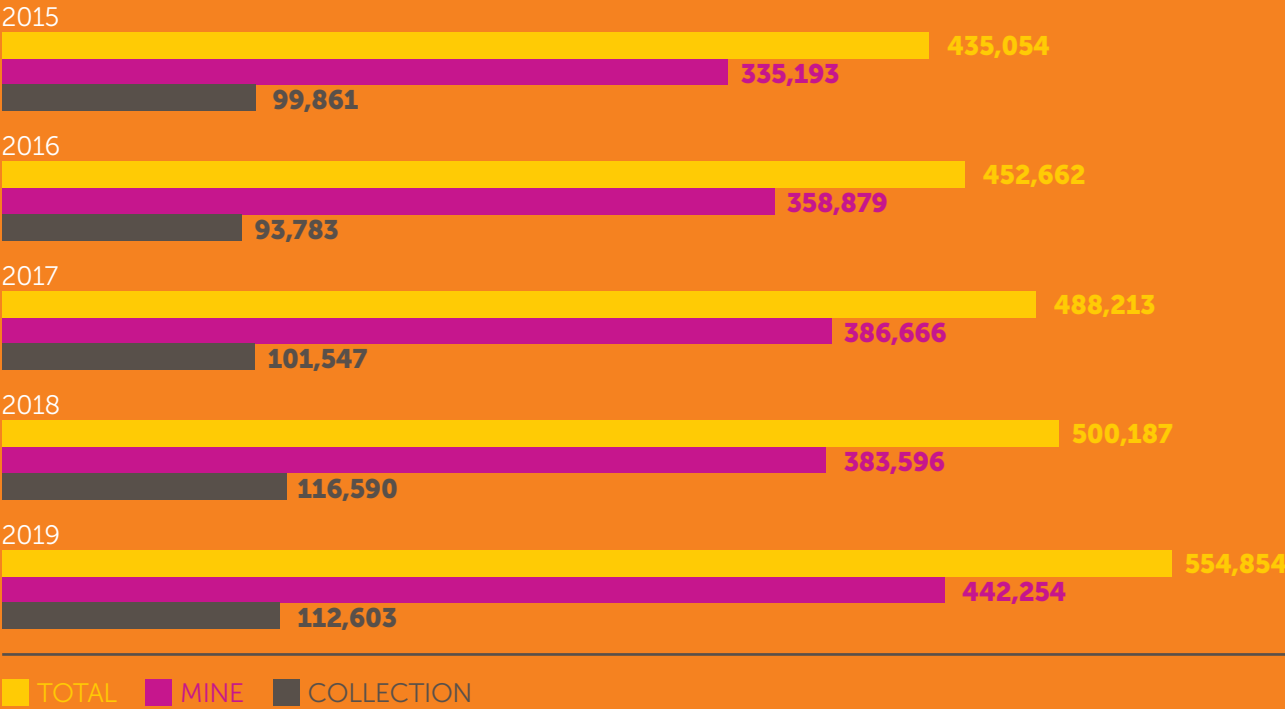
Annual treated tonnage Santa Maria Plant





# ACCRUED

## ANNUAL TREATED TONNAGE MARAÑÓN PLANT + SANTA MARIA PLANT





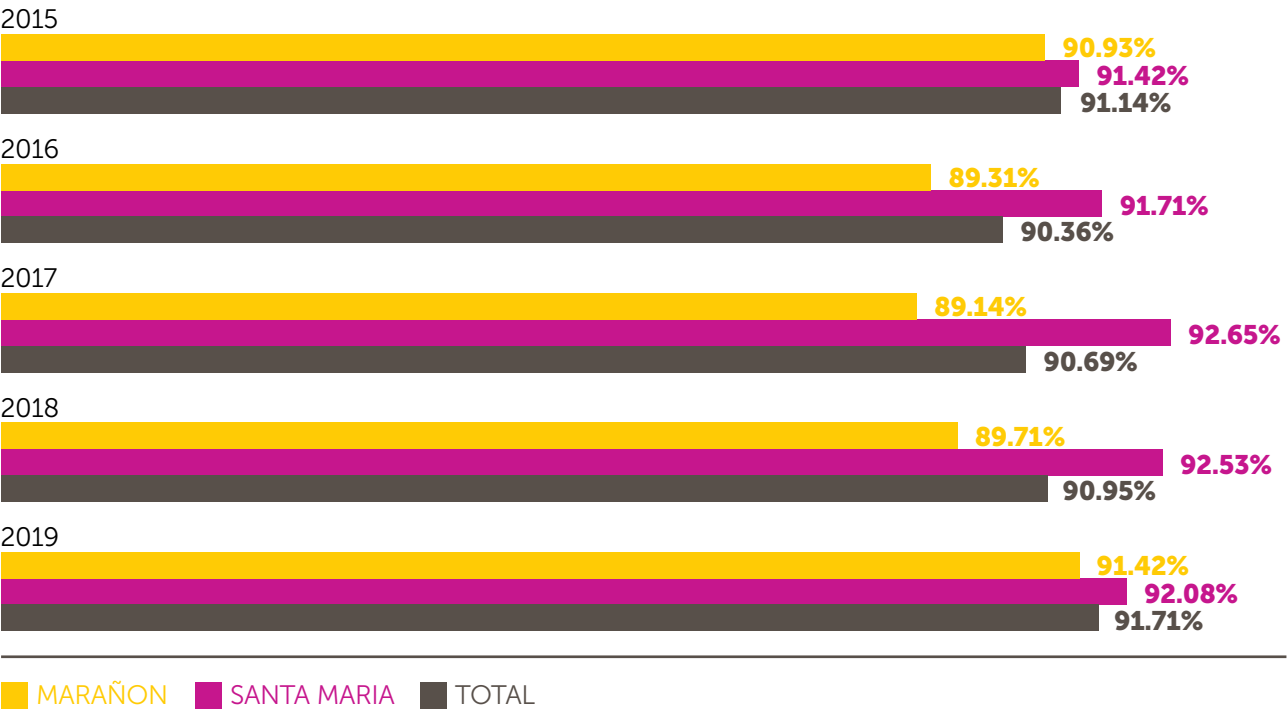
EXTRACTION AND RECOVERY AT THE PLANT

**Marañon Plant:** Total gold extraction reached 91.42%, a 1.71% increase compared to 2018 as a result on the improvement in the grinding grade, through the installation of a 9.5'x12' mill in the primary grinding stage. The 8'x10' mill is now being used secondary mill and the 5'x10' mill is now used for concentrate regrinding.

**Santa María I Plant:** Total gold extraction reached 92.08%, 0.45% lower than in 2018 due to the expansion works of the grinding circuit. Starting August, the recovery was 92.52% in average.

**Total:** Total consolidated extraction increased from 90.95% to 91.71% compared to 2018.

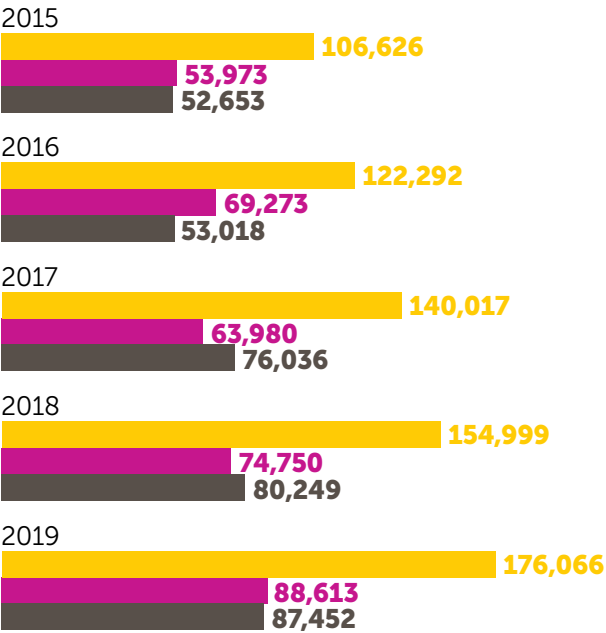
CONSOLIDATED  
TOTAL EXTRACTION MARAÑON /  
SANTA MARIA



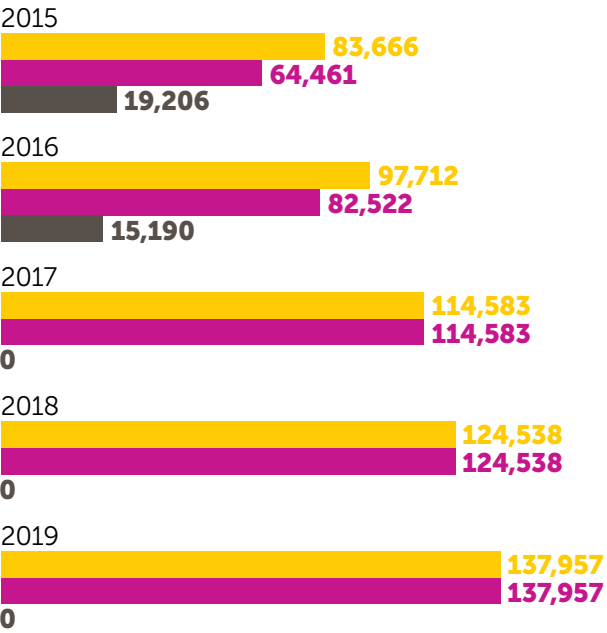
GOLD PRODUCTION

The Marañon and Santa Maria plants processed 554,857 t of ore, from which 314,023 ounces of gold were produced. Consolidated gold recovery in the benefit plants was 91.71%.

Marañon Plant annual production (oz)



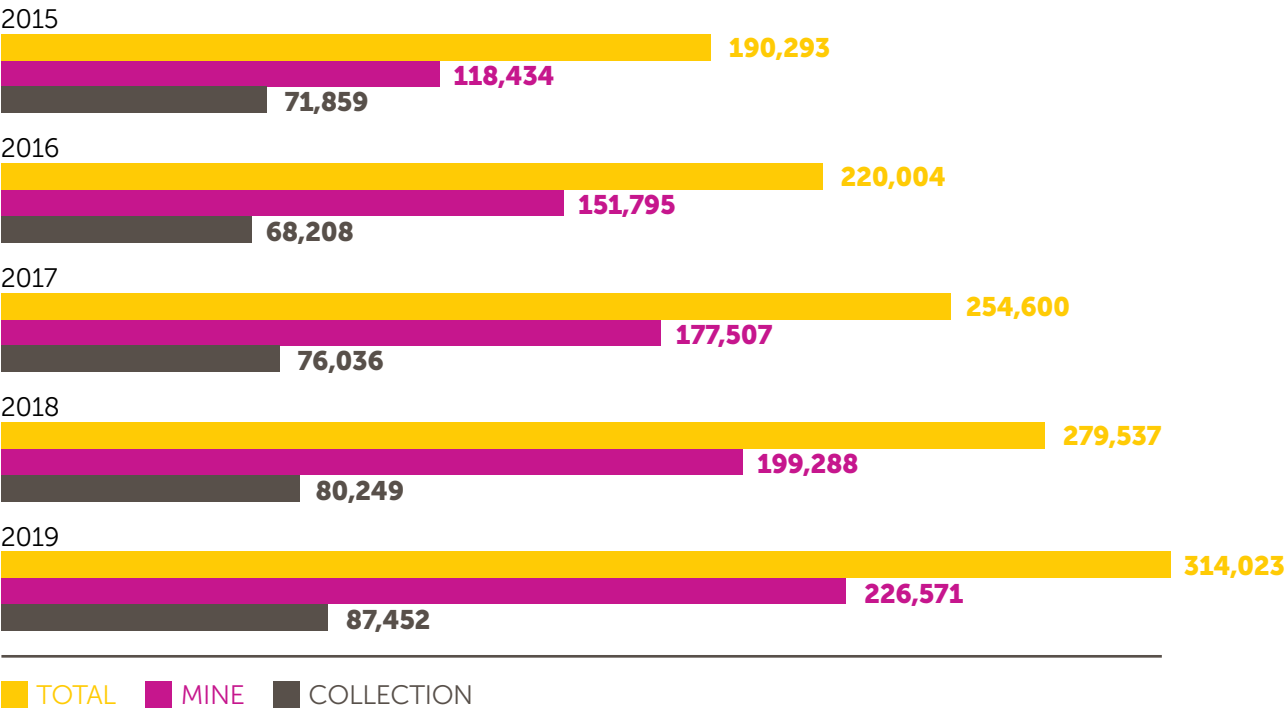
Santa Maria Plant annual production (oz)





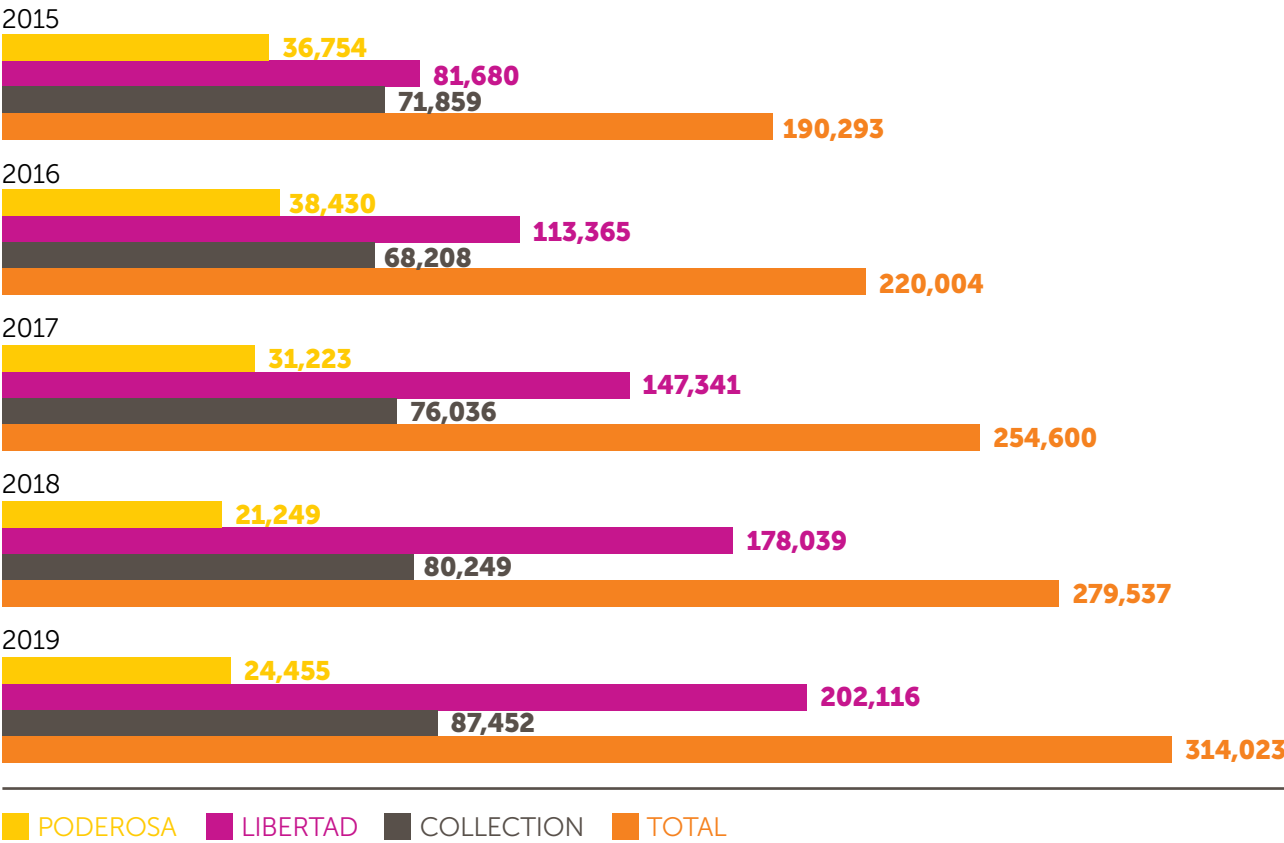
# CONSOLIDATED

## MARAÑON PLANT + SANTA MARIA PLANT ANNUAL PRODUCTION (OZ OF AU)



# CONSOLIDATED

## PODEROSA LIBERTAD ANNUAL PRODUCTION- COLLECTION (OZ OF AU)





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

Cyanide consumption was 0.898 kg/t (1% more than in 2018); however, unit consumption in kilograms/ounces decreased by 0.3%.

Lime consumption was 1.283 kg/t, representing an increase of 26.52% compared to 2018, due to a greater consumption in the Marañon plant (38.3%) as a result of oxidated collection ore

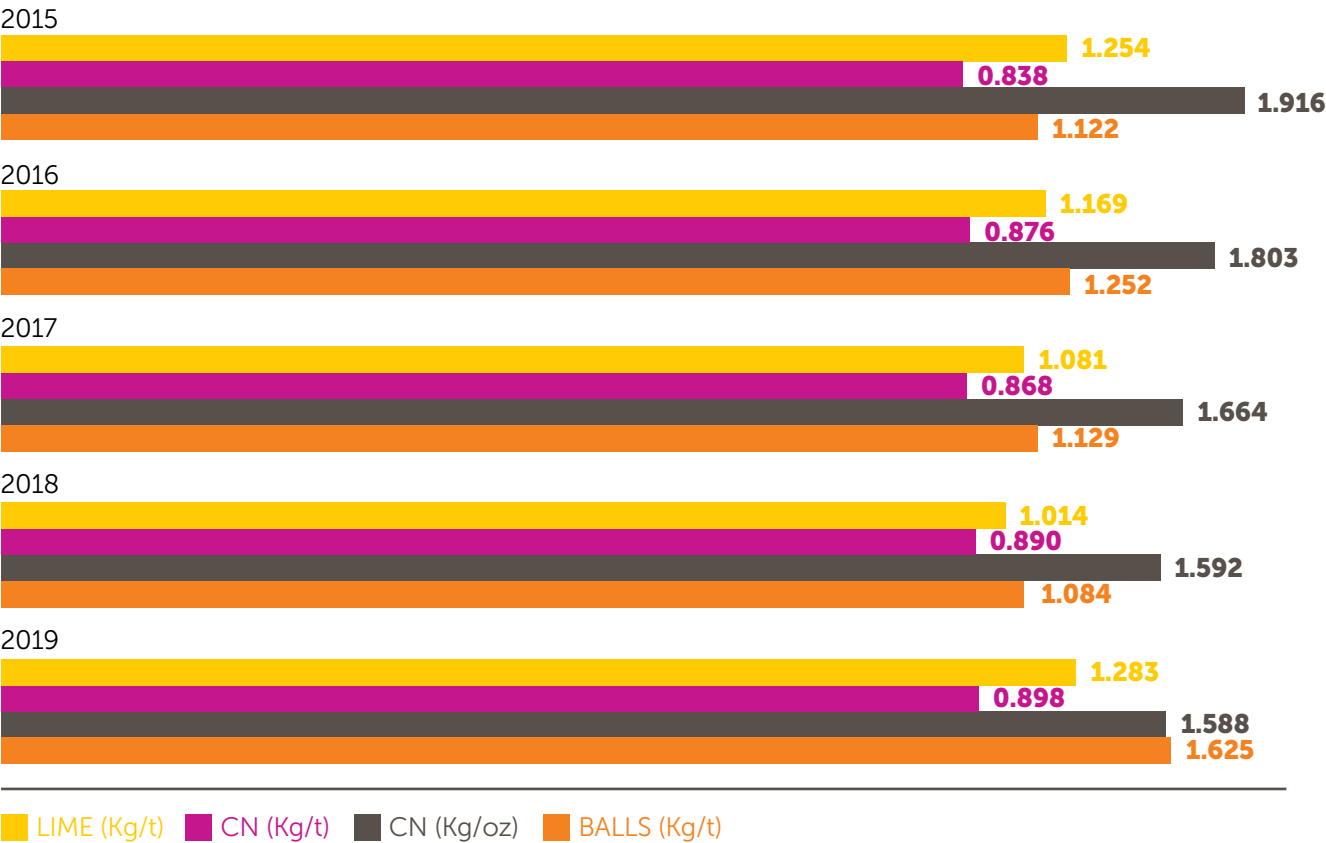
and in the Santa Maria I Plant (11.2%) due to deficiencies in the plant expansion works.

Steel ball consumption increased by 49.8% as a result of the improvement of the grinding circuit in the Marañon plant, and the expansion of the grinding circuit capacity in the Santa Maria 1 plant.



# CONSOLIDATED

## SPECIFIC CONSOLIDATED INPUT CONSUMPTION MARAÑON + SANTA MARIA PLANTS



—  
SMELTER

**Pollutants in Dore Bars**

The two main pollutants in the bars were lead (Pb) and arsenic (As). In average, Pb and As content in the bars from the Marañon plant was 1.01% and 0.11%, and the content in the bars from Santa Maria plant was 0.95% and 0.28%, respectively.

The contents of both metals in the dore bars from the smelter have been kept below 2%, which is the maximum trading limit.

**Pollutants in the precipitate**

Lead content in the Marañon plant increased from 3.39 to 5.96 % compared to 2018; and in Santa Maria Plant it increased from 2.70 to 2.76%.

The arsenic grade in the precipitate decreased in both plants: From 0.52% to 0.41% in the Marañon plant, compared to 2018, and from 0.72% to 0.66% in the Santa Maria plant.

**Pollutant treatment**

Lead recovery from the smelter slag was 91.3% in the Marañon plant, while the figure was 84.6% in Santa Maria. In the case of arsenic, it was 86.2% and 80.7%, respectively.

**Recovery at the smelter**

The recovery of the precipitate at the smelter from both plants decreased from 99.87% to 99.72%, due to a reduction in the contents of Au+Ag in the precipitate from 50% a 45.6% in the Marañon Plant and from 48.2% to 41% in Santa Maria I Plant.



MAINTENANCE,  
ENERGY AND  
TRANSPORTATION

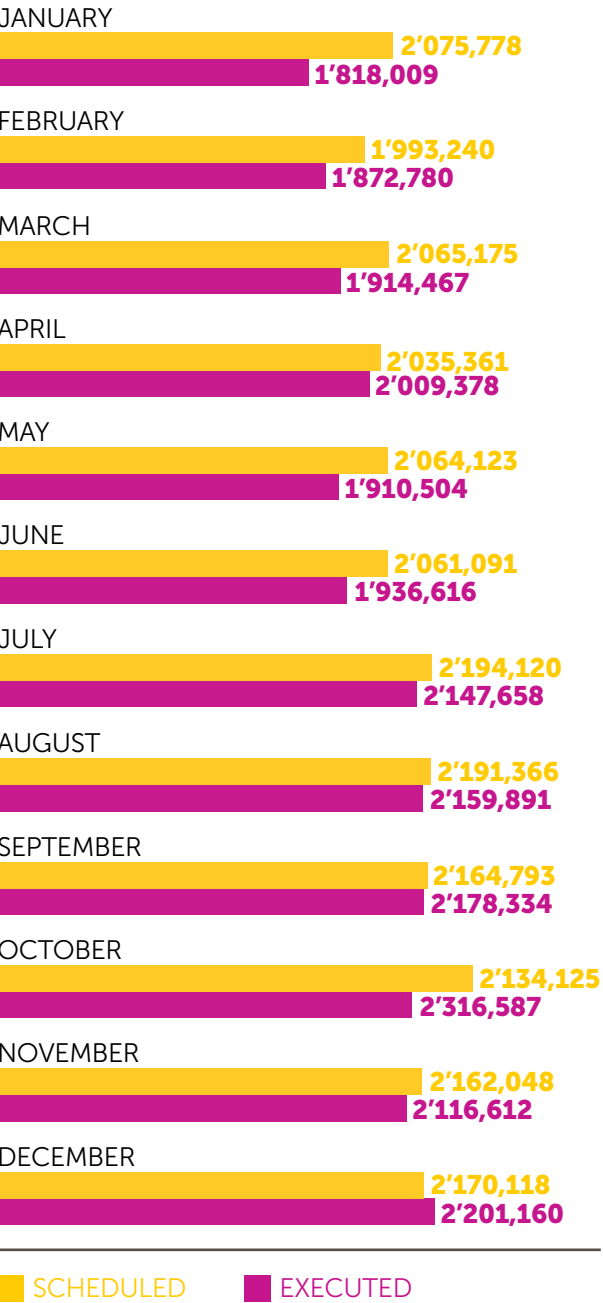
In 2019, we managed to meet all the goals to reach maximum mechanic availability of the company's assets, so a reasonable balance was sought regarding maintenance costs and production, security, and environment goals. Also, we achieved an optimal supply of energy to our facilities.

There was an improvement in truck distribution in the different areas to optimize staff transportation and to reduce the number of vehicles.

**Management Indicators**

INDICATOR	PROCESS	EXECUTED	GOAL
USD/TMT	Maintenance	22.38	≤ 22.07
USD/kW-h	Energy	0.102	≤ 0.114
kW-h/TMT	Energy	153.44	≤ 145.05
USD/TMT	Transportation	6.79	≤ 8.16

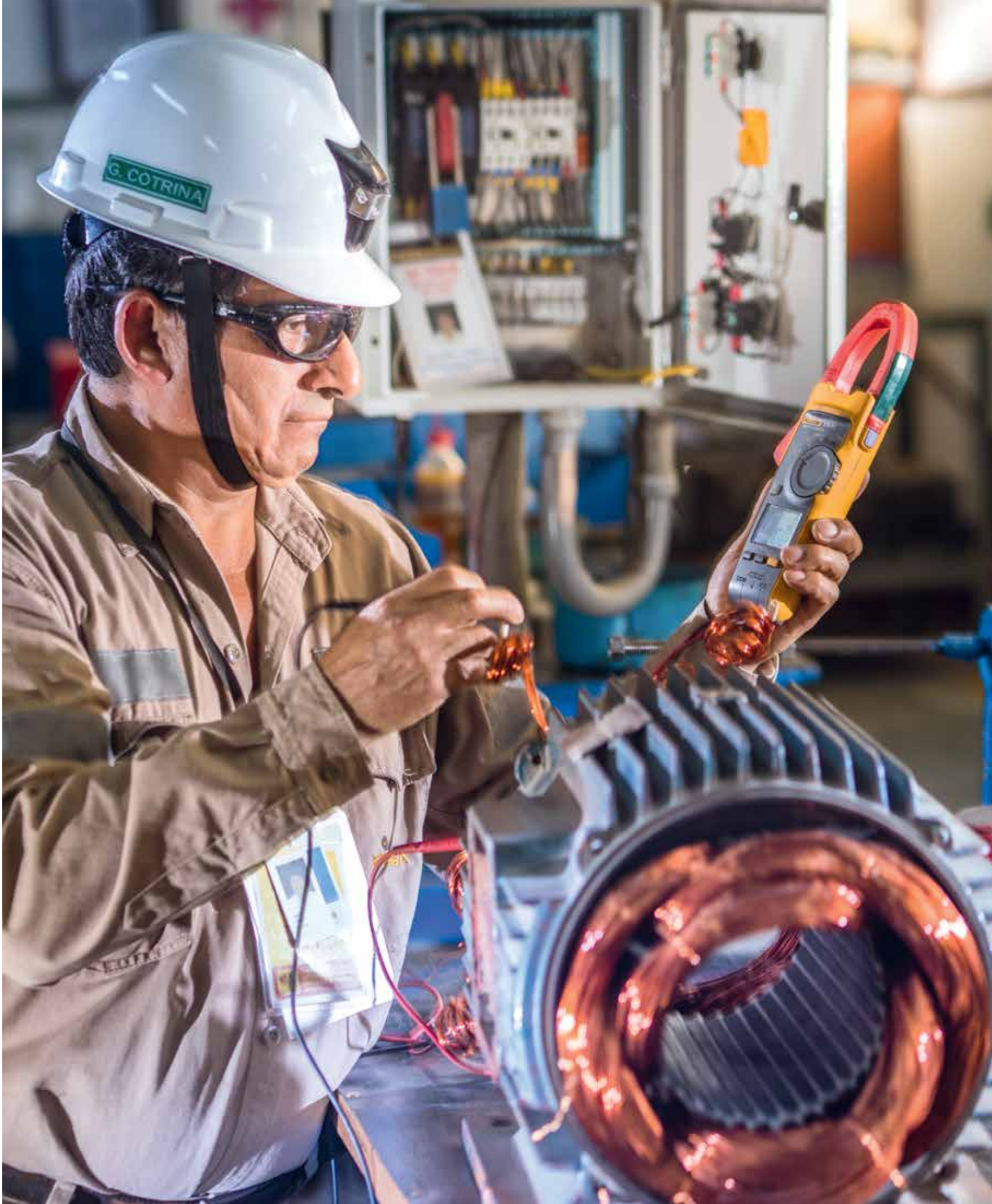
**Scheduled vs. Executed costs of energy and maintenance**





Equipment Mechanic Availability (%)

PRO- CESS	INDICATOR	GOAL	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVERA- GE
Maintenance	World Class Mechanic Availability Trackless	>= 90.0%	90.4	97.7	93.8	93.5	97.3	91.8	91.4	91.5	90.9	94.6	98.2	94.1	93.80%
	World Class Mechanic Availability Scoops and Locomotives	>= 90.0%	88.0	84.9	87.9	84.9	83.1	85.3	85.3	87.6	87.7	86.5	87	87.8	86.30%
	World Class Mechanic Availability Diamond Drillers	>= 93.0%	78.3	84.4	83.2	85.9	86.7	83.3	85.4	84.7	84.9	95.7	97.8	100	87.50%
	World Class Mechanic Availability Plant Equipment	>= 95.0%	95.9	96.2	95.9	97.9	95.8	95.5	94.5	94.3	94.5	95.6	95.7	94.1	95.50%
	World Class Mechanic Availability Energy Generation	>= 95.0%	94.7	94.2	92.3	94.8	94.8	99.6	99.6	95.5	84.6	87.1	87.3	89	92.80%
	World Class Mechanic Availability Heavy Equipment and Compressors	>= 96.0%	96.9	96.6	96.9	97.1	96.6	96.7	95	94.1	99.8	99	100	98.4	97.30%
	Poderosa General Average	>= 93.2%	90.7	92.3	91.7	92.4	92.4	92.0	91.1	91.3	90.4	93.1	94.3	93.9	92.19%





# INFORMATION TECHNOLOGY

## **Migration from the visual basic 6.0 PG to .NET module**

We have reached 95% progress in the migration process, and the review of the topographic points option in .NET is pending, to remove the Basic 6.0 PG option.

## **Explosive control follow-up**

In coordination with FAMESA an explosive control web module has been implemented. This receives information on explosive tickets, entered by the contractors and the company. It has an approval flow which is loaded in the bar code readers for the dispatch in the mine, whether per material or crate. This information is downloaded to get the amount dispatched and to be able to identify the people responsible and the materials dispatched. The module is already implemented in Santa Maria and is being implemented in Marañon.

## **Migration of the IPR security module for the intranet and extranet (planned inspection, dangerous report, task observation and personal contact)**

Security model migration completion from visual Basic 6.0 to .NET. The information and the corrective actions per responsible person were migrated. Implementation has been carried out in the intranet for the company records and in the extranet for the contractors. This migration has included several enhancements that have been determined by the functional area, and that will enable better information control for the report of indicators.

## **Development of the mineral loading module**

This module will enable the registration of the mineral loading program per chief of shift in every collection area, it will inform about the program to the interested people and will be integrated with the weighing area for follow-up. Registry or artisanal miners and works from which mineral is obtained will also be included. This registry will get rid of the mistakes due to an incorrect assignment of loading points

## **Improvement of roaming requests control from the IT management module**

It allows the registration of a roaming service request for certain workers authorized by the company to be able to receive foreign calls.

## **Change management module development**

It allows the user to register change proposals to improve processes, enabling record keeping and a logbook. This development was carried out in coordination with the planning area, as per the change management procedure and is included in the planning module.

## **Integration with the FHO software to automate fuel dispatch and self-service during the 24 hours**

Fuel pumps have been set up in Marañon and Santa Maria that can be used by every driver through the use of tags, so that they can fill their vehicles; this allows improving the service, reducing costs, optimizing times and automating fuel dispatch tickets.

## **Equipment leasing request registry**

The TI management module has been enhanced to register computer requests by the users as well as to upload the equipment leased every period for the use by the staff.

## **Implementation of electronic pay slip with Smart Boleta**

Since 2019, the electronic pay slip with the digital signature of the GAF has been introduced, so that each worker can see his/her pay slips for the year through electronic media by logging into a web site or app that can be downloaded to a mobile device. The benefit of this implementation is the reduction in the use of paper and the optimization in printing time, storage, and delivery.

## **Integration of the document management module with the Digiflow module**

This integration has been carried out so that any electronic documents sent by the supplier to the Digiflow e-mail can be reached through the document management module, reducing errors and registration times in the document reception area.

## **Implementation of checklist registry in the security module**

A checklist option has been implemented in the security management module, allowing any company or contractor user to generate a checklist for a given process and activity. Through this option, we can obtain summary charts for supervisor operational criteria and performance.

## **Staff contract and requirements module development.**

This web-based human resources module has been developed to include the user registry for staff requirement, staff contract generation and evaluation for renewal by the human resources area. The Operations and Functions Manual maintenance

has been included for the assignment in staff contracts.

## **Implementation of quality module and 5S app to automate inspections**

The quality module has been implemented to control and follow-up 5S assessments assigned to each facilitator. These inspections are updated in the cloud to be downloaded in the app for field inspection. Improvements have also been made to the app, and they are available in Android and IOS.

## **Digitalization of the accountancy, payroll, training, properties, and clinical record information**

Information on accountancy, payroll, training, and properties was updated until 2018. The second digitalization stage of properties made up of 108,204 images and 915 drawings as well as the digitalization of 2'411,563 images of the clinical records was carried out. These account for 65% of the total contract.

## **COMMUNICATIONS AND TECHNICAL SUPPORT**

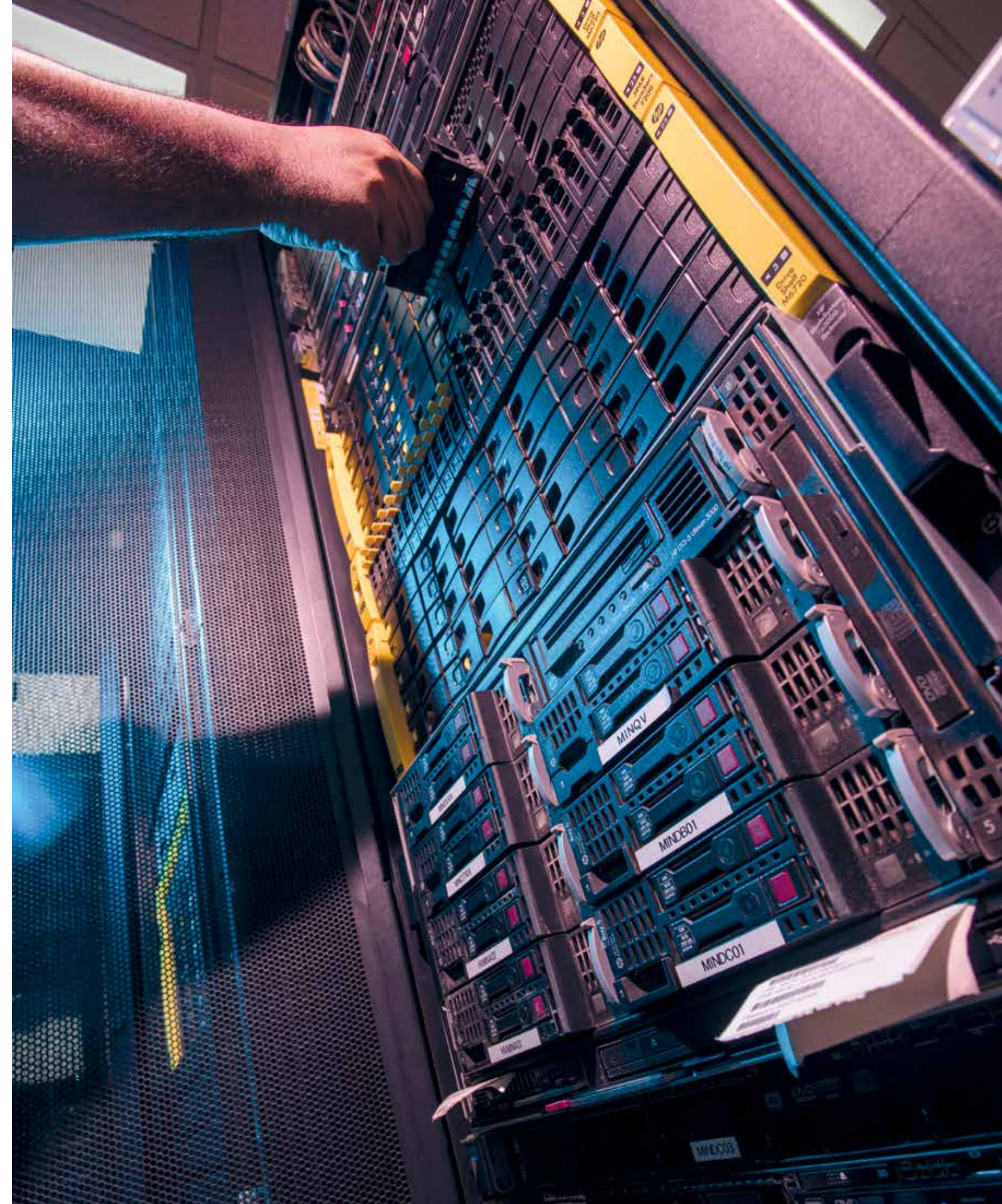
- Infrastructure fixing of the alternate data center (DCA). This, together with the implementation of the new Synergy servers will enable transferring a group of servers from our main data center to this DCA to have a mirror of the main services received by the Poderosa network and to ensure business continuity and recovery in case of an adverse event.
- Implementation of the Synergy servers. New Synergy servers have been implemented in the main data center. Services have been migrated to this new equipment that include a higher capacity storage disk, to meet the estimated growth of the different processes.
- Implementation of Virtual Desktop Infrastructure (VDI). This has enabled virtualizing the user desktops to optimize storage capacity, therefore



reducing user support through the centralization of these desktops in one single server.

- Independence of the Vijus data center energy line. We worked in coordination with the Maintenance and Energy Superintendence to extend an electric power line from the plant substation (SE) to the main IT energy board (HHRR SE). This allows improving the quality of energy and minimizing power shortfalls.
- ePO console update and addition of a new service in the McAfee ePO console, which allowed managing the antivirus, antimalware and antiransomware services; it will also enable the implementation of the control services in the future to control information security and centralize management under one console.
- Purchase of manageable Access Point. This enables increasing the WIFI connection capabilities in the meetings room, offices, and bungalows, allowing for better management though its administration in one console, it prevents isolated equipment with different access passwords.
- Security in Aragostay was improved. A cement perimetric fence was built to protect the equipment.
- Autonomy was increased in the event of power shutdowns. This was done through the use of larger capacity UPS in the data center of Santa Maria, IT office in Paraiso, Papagayo equipment room and Lima data center.
- The network cabling was reorganized and tagged. This was done in Santa Maria and Mara  n to have better control of the network points, as it facilitates the identification and location of the switchers when carrying out maintenance.

- Network expansion. The following improvements were made:
  - Optic Fiber (OF) installation inside the mine at Pencas and Estrella (5 km) for the seismic sensors of the geomechanics area, allowing its future use for the communication and automation projects in the routes next to the sensors or where the OF runs through.
  - Installation of new OF cables for the new video surveillance system at the refinery.
  - New network connections were enabled for the new automatic fuel pumps (RFID faucets) installed in the Vijus and Santa Maria gas stations.
  - Expansion of the OF network at Cedro from the IT data center to the mine maintenance and environmental management offices (600 m) to integrate the data networks and keep them connected and up to date with the coordination made via telephone calls, e-mail and others.
  - Installation of OF in the new Vijus transportation offices, collection vehicle control center and energy generation in Vijus. All the same, an OF network was installed in the bungalows.
  - Relocation of OF at Cedro in property of Poderosa.
  - 500 m of OF were enabled inside the Santa Maria mine to improve safety and explosive dispatch control by the logistics team from inside the mine.
  - New network cables were installed in the new IMS offices at Santa Maria. 91 network points and one OF backbone have been installed from the HHRR office.







PART THREE  
**RESPONSIBLE  
MANAGEMENT**





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## ECONOMIC VALUE GENERATION FOR THE STAKEHOLDERS

Our financial management is structured according to our values, comprehensive management, occupational health, environment, and quality policies, as well as by using the 5S methodology, as part of the company’s business philosophy. All the same, its standing profit-sharing policy allows for a balance between growth and profitability for our shareholders. This management approach enables us to identify the economic value generated in 2019 for our stakeholders.

In 2019, 554,857 tons of mineral were treated; gold production was 314,023 ounces of gold, representing an increase of 12.3% compared to 2018, owing to greater treatment capacity in tons in the plants and an increase in the grade (g/t). The number of ounces sold and shipped in 2019 was 312,413. (These sales included the initial stock), which meant an 11.8% increase compared to 2018. Regarding investments, USD 107.5 million were disbursed in 2109, this amount included investment in maintenance and growth. This represents a 11.5% investment increase compared to 2018. The total finance debt (total liability) in 2019 closed in USD 127.5 million, an 8.3% increase compared to the previous year; this increase is mainly explained by short-term indebtedness with financial institutions and commercial suppliers.



## MAIN FINANCIAL INDICATORS

Ebitda (PEN millones)	527.42	656.34
	2018	2019
Net Sales (PEN million)	1,176.6	1,478.8
	2018	2019
Gross Margin (%)	39	42
	2018	2019
Operational Margin (%)	30	31
	2018	2019
Profit before taxes (PEN million)	335.99	435.31
	2018	2019
Net Profit (PEN million)	233.91	301.14
	2018	2019

## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

The average price for our exports was USD 1,404.46 per ounce of gold and USD 16.39 per ounce of silver. These prices, together with a larger production (4% more than that of 2018) allowed for greater sales income than that values forecasted in the annual budget. 100% of the production was exported to our customer, the Bank of Nova Scotia in the U.S.A.

1,404.46

USD AVERAGE GOLD PRICE

Net sales in 2019 added up to PEN 1, 478’808,822, which meant an increase in 26% compared to PEN 1,176’586,748 in 2018. Sales cost was PEN 863’491,414, that is, a 21% increase compared to PEN 714’373,5185 in 2018.

Net profits in 2018 added up to PEN 301’139,907, 29% greater than the 2018 results, (PEN 233’914,409). A 9% increase in production and the increase in the Price of gold favored this result.

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

		2018	2019
Direct Economic Value Generated Income	Net sales and income from financial investments, insurance indemnification and asset sales	1,168’016,162	1,434’293,397
DISTRIBUTED ECONOMIC VALUE			
Supplier payments	Payments to suppliers, royalties and payments for facilitation or donations	575’114,378	725’880,271
Employee salaries and benefits	Total payments to employees and social contributions. Does not include future payment commitments	70’964,435	71’538,572
Government payments	Gross taxes and rates	107’014,020	136’183,686
Investment in Communities	Voluntary contribution to and investment in the communities, including donations	13’718,131	12’892,978
Withheld economic value		401’205,198	487’797,891



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INDEBTEDNESS

During 2019 a mid-term financing was requested for USD 12 million, to meet the investment plan established for the year. The average cost of the financial debt was 3.87% (3.49% in 2018).

Hedging and leverage ratios were maintained as follows:

Hedging ratio (EBITDA/ financial expenditure)	79.42
Leverage ratio (total debt / EBITDA)	0.22
Long term debt hedging ratio LP (EBITDA/ (Financial Expenditure + payments Long term debt))	5.05

BANK	BALANCE AS OF 12.31.2019 (MILLION USD)	TYPE OF DEBT
Scotiabank	3.00	Mid-term loan 2016
	11.50	Working capital
	1.63	Financial leasing
Santander	1.00	Financial leasing
BCP	2.10	Financial leasing
BBVA Continental	24.45	Mid-term loan 2018 and 2019
	1.46	Financial leasing

COST EVOLUTION

In 2019, ounce production increased by 4% compared to the former year. The cash cost per ounce produced was 4% greater than that of 2018 (from 561 to 584 USD/oz.), while the cash cost in

US dollars was 19% greater, compared to 2018 (from 111.8 MM to 132.5 MM). This, among other factors, was the result of an increase in labor and contractor services.

The total cost per ounce increased by 4% compared to 2018, moving from USD 820.25 /oz to USD 853.94/oz in 2019.

AVERAGE GOLD PRICE

The price of gold increased during 2019, due to the uncertainty of the trade war and the reduction of the reference rates of the Central Banks globally. Gold international quotation prices accrued earnings of 18% compared to the former year. The average price of gold spot was USD 1,393.82 during 2019. The lowest price was recorded in May, when the quotation reached a minimum level of USD 1,270.69. On the other hand, the price of gold peaked USD 1,552.55 per ounce in September, when the trade agreement negotiations between China and the USA seemed to worsen.

Average gold Price 2015-2019 in USD/oz		
Security: XAUUSD BGN Currency		
Pricing Source: BGN		
2015	—————	1,160.20
2016	—————	1,249.46
2017	—————	1,258.80
2018	—————	1,269.02
2019	—————	1,393.82

AUDIT REPORT

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







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ENVIRONMENTAL MANAGEMENT



OUR COMMITTMENT WITH THE ENVIRONMENT

We seek to guarantee a healthy environment and sustainable development of our surroundings, through the application of good environmental practices throughout our processes and with efficient natural resource use through continuous improvement and the application of clean technologies and innovative solutions.



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WATER MANAGEMENT

Water is a fundamental human need for life and sustainable development of all kinds of economic activities. We are constantly working to optimize the use of this resource throughout our operations, improving recirculation of the effluents produced by the filtration of the tailings and comprehensive reuse of the effluents coming from the treatment of the domestic residual plants. We also use underground water and water outcrops for the cyanidation plant and for human consumption, after treating it in ultrafiltration plants. In this regard, we have water use licenses approved by the corresponding authority. We continue to implement water flow gauges at the camps, canteens, and production areas to continue with the water use optimization plan. Currently, our water consumption level is below the total volume authorized by the National Water Authority (ANA).

The average annual water supply at El Oso and Chorro Blanco is 15'168,816 m³/year. ANA granted a license to use approximately 400l/s; the excess is kept as part of the ecologic flow and it is used by the community. On the other hand, after generating energy at the Alberto Samaniego hydroelectric power station, the water is discharged to the original river course, El Tingo, except for 25 l/s, authorized by ANA, which are used in our operations at Vijus mining camp.

For our mining operations at La Lima, El Tingo and Papagayo, as for the camps and green areas, we have a license for water use up to 315,360 m3/year. Our operations in Cedro have demanded a mining use license for water of up to 37,843 m3/year, water is extracted from inside the mine.

Water consumption authorized by ANA versus real consumption 2019

ZONE	ANA AUTHORIZED CONSUMPTION (M³/YEAR)	REAL CONSUMPTION (M³/YEAR)	DIFFERENCE AUTHORIZED VS REAL CONSUMPTION (M³)	% CONSUMED AS PER AUTHORIZED	% CONSUMED FROM THE SOURCE	WATER SOURCE	GROUND WATER
Vijus	788,400	683,318.19	105,081.8	86.7	<5	Chorro blanco y El oso ravine	superficial water
Paraiso	315,360	187,093.93	128,266.07	59.3	<5	River Lavasén	superficial water
Cedro	37,843	31,159.0	6,684.0	82.3	<5	Marleny	superficial water
Santa Maria	161,149	21,185.26	139,963.75	13.1	<5	Santa Maria Ravine	superficial water
	68,433	54,250.56	14,182.44	79.3	<5	Virginia	superficial water
	100,915	67,415.7	33,499.3	66.8	<5	Puquiopata	superficial water
	946,080	29,592.36	916,487.64	3.13	<5	River Frances	superficial water



Currently, the technology used at the tailings and residual water plants allow water recovery and a reduction in freshwater consumption, as shown in the following table.

During 2019 we carried out studies to automate the treatment system and on-line parameter measurement, as to improve control. Also, digital gauge systems (flowmeters) were installed.

Percentage and volume of recycled and reused water

PROCESSING PLANT	WATER INTAKE TO THE PLANT (M³)	RECIRCULATED LEACHING SOLUTION (M³)	NECESSARY WATER VOLUME FOR MINERAL PROCESSING (M³)	% OF WATER REUSED
Marañon mineral processing plant (789 TMD)	15,146.97	252,806.00	267,953.42	94.35%
Santa Maria mineral processing plant (764 TMD)	37,708.27	118,176.00	155,884.27	75.81%
TOTAL		370,982.00		85.08%

\* Water is reused in plant process  
\* Calculation methodology is through mass balance. Both fresh and recirculated water are measured.

HOUSEHOLD RESIDUAL WATER PLANT	INTAKE VOLUME (M³/YEAR)	TREATED VOLUME	REUSED VOLUME (M³/YEAR)	% REUSED
Household residual water plant – MBBR-Vijus	38,458.30	38,458.30	38,458.30	100%
Household residual water plant – Compacta Paraiso	20,621.00	20,621.00	20,621.00	100%
Household residual water plant – Convencional Paraiso	21,925.00	21,925.00	21,925.00	100%
Household residual water plant – Santa Maria	56,764.80	56,764.80	56,764.80	100%
TOTAL			137,769.10	100%

\* The quality of the treated water which is reused meets the ECA for risk water (category3): D.S. N° 004-2017-MINAM  
\* Treated water is reused for irrigation of green areas and roads in the different mining units.  
\* Calculation methodology es through mass balance.

**IMPORTANCE OF WATER SOURCES FOR THE LOCAL COMMUNITIES OR INDIGENOUS PEOPLES**  
Water source in the Pataz district in Poderosa’s area of influence come from the river basins located in the highlands (approximately 3,500 to 4,500 m.a.s.l.), which are reloaded by the rainfall during the rainy season, and which flow downstream through rivers and gorges up to their confluence with the Marañon river.

These water sources cover the human needs to some extent, however there is an evident water deficit during the dry season, affecting the flora, fauna, and biodiversity in the area. Therefore, the communities are aware of the importance of maintaining their water supply systems with adequate and clean infrastructure to avoid water waste. We advise the community representatives to keep their water supply systems under good sanitary conditions. All the same, we coordinate projects with some communities to ensure continuous water supply during the rainy and the dry seasons. These projects include water harvesting and irrigation systems, among others.

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

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



FLORA

Jacaranda acutifolia	Vulnerable
Caesalpinia spinosa	
Jatropha macrantha	
Tecoma sambucifolia	Almost threatened
Salvia oppositifolia	
Acacia macracantha	
Iresine weber	



FAUNA

Mammals	Tremarctos ornatus	Endangered
	Phyllotis andium	Almost threatened
	Eremoryzomys polius	
	Artibeus fraterculus	
	Artibeus planirostris	
	Glossophaga soricina	
	Micronycteris megalotis	
	Sturnira oporaphilum	
	Carollia perspicillata	
	Lycalopex culpaeus	
Reptiles	Puma concolor	Almost threatened
	Flavipunctatus	
	Sibynomorphus sp.	
	Micrurus cf. mertensi	
	Epictia sp.	
Amphibians	Stenocercus omari	Almost threatened
	Rhinella gr. spinulosa	
Birds	Forpus xanthops	Almost threatened
	Columba oenops	

Source:  
1. Marañon EIA. Approved by RD N.450-2104-MEM-DGAAM  
2. Santa Maria EIA Modification. Approved by R.D. N.011-2017-SENACE-JEF/DEAR.





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## PARTICIPATORY MONITORING

Our commitment with transparency is evidence based. For several years now, and together with the local authorities, we have been monitoring consumption water quantity and quality, working on the water supply systems for neighboring populations. In this way, we show the results of our controls on the significant environmental aspects generated in our operations.

We also take part in participatory monitoring organized by the Huamachuco Local Water Authority (ALA), together with the local authorities which are focused on the water receiving bodies that lie within our operations.

In order to guarantee good relations with our neighboring communities, the Community

Relations area has set up an office for ongoing communication, providing the community with our environmental management instruments.

In 2019, the Bi annual Participatory Monitoring Program was carried out in the Santa Maria and Marañon Production Units with the participation of authorities, such as the President of the Sanitation Services Managing Board (JASS), President of the Community Development Committee (CODECO) and the President of the Parents' Association (APAFA). Monitoring processes carried out:

- air quality,
- water quality.

The results obtained are within the maximum permissible limits.



## EMISSIONS MANAGEMENT

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

The smelting activity is a batch process. According to our environmental commitments, a quarterly monitoring of emissions is carried out pursuant to the provisions of Ministerial Resolution N° 315-96-EM/VMM. The main greenhouse gases considered in this environmental instrument are:

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

The Table below shows that the monitoring results of the of the electric power generator emissions during 2019, are below the MPL. It is also worthwhile mentioning that these generators run eventually, for example, when there are power outages in the National Interconnected Grid (SEIN). Currently, our operation receives energy from the SEIN which is complemented with the energy generated in our Jose Alberto Samaniego hydroelectric power station. This way, we have significantly reduced the percentage of greenhouse gas emissions released by the electric power generators.

### Results of smelter emissions in the Marañon production unit 2019

		GREENHOUSE GASES (GHG)		OTHER GASES			
QUARTER 2019	CHIMMNEY	NITROGEN OXYDES (MG/M <sup>3</sup> )	SULPHUR DIOXIDE (MG/M <sup>3</sup> )	LEAD (MG/M <sup>3</sup> )	PARTICULATE MATERIAL (MG/M <sup>3</sup> )	ARSENIC (MG/M <sup>3</sup> )	CARBON MONOXIDE (MG/M <sup>3</sup> )
1T	Remelting	17.31	<80.0	6.39169	31.67	1.926851	179.08
	Smelter	49.54	<80.0	2.10834	53.25	<0.00014	57.27
2T	Remelting	8.65	<80.0	1.03066	11.90	0.09430	185.57
	Smelter	52.99	<80.0	0.81209	10.50	0.03097	2.29
3T	Remelting	32.61	<2.62	4.65504	52.09	0.92955	35.89
	Smelter	269.74	14.85	2.30624	16.33	0.30831	<1.15
4T	Remelting	34,11	-	4.515	146.30	1.536	82.45
	Smelter	405,9	-	1.692	29.41	1.987	< 6,52
MPL, any time (mg/m <sup>3</sup> )		NE	20	25	100	25	NE

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



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Results of electric power generator emissions in the Marañon production unit 2019

		GREENHOUSE GASES (GHG)	OTHER GASES	
QUARTER 2019	CHIMMNEY	NITROGEN OXYDES (MG/M³)	CARBON MONOXIDE (MG/M³)	SULPHUR DIOXIDE (MG/M³)
1T	GE CAT 3412 N° 2	2,116.37	426.51	51.53
	GE CAT 3412 N° 3	2,120.29	439.3	61.57
	GE CAT 3516	2,993.94	614.37	62.01
	GE EMD 1	1,504.46	75.98	49.78
	GE EMD 2	1,710.61	447.13	23.58
	GE White Superior	2,078.62	632.7	30.57
	GE C-27	1,867.89	286.75	19.21
	GE-627-02 Santa Maria	1,671.6	266.9	57.64
	GE-627-03 Santa Maria	1,662.31	267.28	53.27
2T	GE CAT 3412 N° 2	2,132.11	405.88	49.78
	GE CAT 3412 N° 3	2,124.62	396.91	51.09
	GE CAT 3516	2,902.06	435.29	180.78
	GE EMD 1	1,667.46	96.22	93.45
	GE EMD 2	1,737.89	487.6	29.69
	GE White Superior	2,151.43	673.93	48.03
	GE C-27	1,422.18	381.83	13.1
3T	GE CAT 3516	2,900.75	657.13	87.33
	GE CAT 3412 N° 2	2,223.99	252.39	48.03
	GE CAT 3412 N° 3	2,264.22	265.18	41.92
	GE EMD 1	2,031.08	115.31	110.91
	GE EMD 2	1,817.91	1,154.66	34.06
	GE White Superior	2,236.09	473.85	63.75
	GE C-27	2,201.66	241.32	41.92
4T	GE CAT 3516	2,092.6	465.2	15.7
	GE CAT 3412 N° 2	2,092.6	465.2	15.7
	GE CAT 3412 N° 3	1,855.8	530.2	30.0
	GE EMD 1	2,240.6	519.3	45.8
	GE EMD 2	2,398.8	687.3	17.2
	GE White Superior	2,398.8	687.3	17.2
	GE C-27		Mtto.	
	GE-627-02-Santa María		Mtto.	
MPL, any time (mg/m³)		3000	700	4300

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

Environmental

GRI 300

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# MATERIALS MANAGEMENT

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

In 2019, in our mining operations, especially in the canteen and recreation facilities, we have banned more than 80% of single use plastics and disposable cutlery, replacing them with paper bags and returnable materials. Also, we started running

the compost plant, which has been working at normal capacity. We estimate that in 2020 we can increase the plant's compost generation capacity and implement vermiculture.

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

## Materials used per type and volume 2016-2019

CLASSIFICATION	MATERIAL	2016	2017	2018	2019	UNIT
Renewable	Timber*	9,794	8,366	6,872	7,687	ton
	Timber (sq. ft)**	577,491	1'801,906	1'800,895	2'464,545	square feet
Non-renewable	Fuels	1,510	1'628,353	2'037,822	2'024,281	gallon
	Lubricants	40,296	45,563	48,438	59,257	gallon
	Greases	10,600	13,621	12,722	15,851	kilogram
	Borax	9,600	8.825	9,025	13,664	kilogram
	Sodium Carbonate	500	400	550	750	kilogram
	Cyanide	401,000	427,000	448,000	500,000	kilogram
	Zinc powder	26,500	23,950	24,650	30,600	kilogram
	Lime	534,090	535,200	507,680	718,833	kilogram
	Screws		107,298	180,385	196,168	kilogram
	Meshes		4,931	6,875	7,074	rolls

\*Timber: Considers round logs.  
\*\*Timber (sq. ft.): Considers planks, scantlings, tines

Water, energy, chemical inputs, minerals, and timber are the most used resources used in our operation processes. As production increases, so does mineral extraction and the use of materials.

In order to control and reduce the use of timber for mine support purposes, we are using helical bolts and other accessories. All the same, the newly exploited pits are filled with hydraulic filling.

Cyanide, lime, zinc, sodium carbonate and borax are used in mineral processing and in end product production. Table in page 96 presents an excerpt of the main materials consumed in the operations.

## Summary of residues generated in 2019, per type and treatment method

CLASSIFICATION	NOT DANGEROUS			DANGEROUS	
	GENERAL/ DOMESTIC (T/ YEAR)	NON- HAZARDOUS INDUSTRIAL WASTE (T/YEAR)	METALLIC RESIDUES (T/YEAR)	HOSPITAL WASTE (T/YEAR)	RESIDUAL OIL (GL/YEAR)
Final disposal	Poderosa	Poderosa, Sneijder, Comintel and Gestión de Servicios Ambientales SAC	Poderosa	Befesa Perú SAC	Corporación Medioambiental AMPCO Perú SAC
Treatment method	One part is recycled and the rest is deposited in a sanitary landfill	part is deposited in Poderosa's industrial landfill, another part in the Cumbe sanitary landfill and another part disposed of as WEEE	Recycling, recovery and sale	Safety Sanitary Landfill	Recycled and sold
Total 2019	808.59	86.84	451.89	0.68	22,356
Total 2018	1,185.24	74.49	422.03	0.59	21,282
Total 2017	825.23	55.08	358.68	1.03	25,320
Total 2016	965.25	90.60	228.60	1.40	15,200
Total 2015	882.31	102.09	152.02	1.26	19,608

## Tailings generation (t/year)

TAILINGS POND	TOTAL 2019
Marañon tailings	287,974.4
Santa Maria tailings	266,863.8
Total	554,838.2

## Waste rock generation (t/year)

DUMPSTER	TOTAL 2017
Marañon	383,624
Santa Maria	562,639
Total	946,263



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MM2

# RESPECT FOR BIODIVERSITY AND CULTURE

We are located amidst fascinating surroundings, full of life. Therefore, their protection is a priority to us. We consider that it is instrumental for us to perform our activities with respect and minimizing risks, establishing control mechanisms to preserve our surroundings. Every human activity has an impact on the environment, so, from this perspective, we perform environmental



assessments prior to executing our operations, as established in the legal provisions in force; through the implementation of the Environmental Management Plan, which is mandatory as well as Environmental Compensation Plans to reduce environmental impact. We continue optimizing our Environmental Management System based on ISO 14001:2015.

The measures adopted, according to the Abiseo River National Park Master Plan, located in the Mariscal Caceres province, San Martin Region, include protecting endangered endemic birds, forests and native plant species protected by domestic laws. Marañon and Santa Maria production units are located within the Abiseo River National Park buffer zone, between 1,200 and 2,900 m.a.s.l. They cover an approximate area of 4,746 ha; however, direct operations are carried out in 2,500 ha. Due to the location of our mining operations, there are no possible environmental, cultural, or social impacts on the National Park natural protected area.

All our operations have a biodiversity management plan for we are located in an area which is part of the National Park buffer area; and in compliance with the commitments assumed under our Environmental Certifications, we perform biological and hydrobiological species monitoring during the rainy and the dry seasons.

Direct environmental impacts are an immediate result of the mining activities and are related to the alteration of soil, air, superficial water, and underground water quality; landscape variation in topsoil, flora, fauna, social relations, among other components that can be altered by the mining operations. The indirect impacts are secondary effects of the direct impacts. Through a cause analysis of the impacts generated by the mining activity we can design prevention, mitigation, or correction measures on the direct impacts, which, in turn, have corrective effects on the indirect impacts.

# MINE CLOSURE PLAN

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

In 2018, the Fourth Modification to Poderosa Mining Unit Closure Plan was approved by RD N° 102-2018-MEM-DGAAM, to modify the life span of the mine and to modify and update the mining component's progressive and final closure. The aim is to guarantee physical, chemical, and hydrologic stability of the components and to restore the disrupted area through revegetation. In 2019 progressive closure measures were undertaken for a total of USD 1'149,303.00, including mine closure activities and social and environmental commitment compliance.

As of today, the following explorations of Poderosa have approved environmental certification according to their size and impacts:

- Palca, close to Suyubamba, and Montañitas, in the Tayabamba area, have semi-detailed Environmental Impact Assessments, that include activities for the closing of exploration works.



- La Lima and Misquichilca projects have Environmental Impact Statements, including activities for the closing of exploration works.

## Executed costs for 2015-2019 gradual closure measures (USD)

PRODUCTION UNIT	2015	2016	2017	2018	2019	TOTAL EXECUTED
Total investment	831,878.02	1'155,132.02	1'147,679.25	1'629,210.39	1'149,303.39	<b>8'347,299.99</b>
Total accrued investment	4'404,730.33	5'559,862.35	6'707,541.60	7'197,996.60	9'490,959.66	<b>18'981,919.32</b>



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

In 2019 the Organismo de Evaluación y Fiscalización Ambiental (Environmental Assessment and Control Agency - OEFA) did not register any administrative sanctions or fines during the environmental supervision held from August 16 to 21 2017, with respect to the verification of compliance with environmental commitments and obligations established under the regulatory framework, specifically Supreme Decree N° 040-2014-EM and in our environmental instruments approved by Resolutions RD N° 450-2014-MEM/ DGAAM and RD 011-2017-SENACE-JEF/DEAR, and ITS, in force in our Marañon and Santa Maria production units, registered in the environmental management plan, environmental quality standards and regulations. The results of this supervision confirm our environmental performance and social responsibility; as well as our compliance with the maximum permissible levels of water quality in the water effluents of the mining, metallurgy and energy processes as provided for under Supreme Decree N° 010-2010-MINAM.

# FORESTATION

The different forestation and re forestation activities cause significant effects for the environment and for the productive activities: they contribute to generate production activities in the communities in our area of influence, ensure timber supply and mitigate our carbon footprint.

During 2019, 334,177 plants have been sown, and they are distributed in the areas of Poderosa and the neighboring communities.



Forestation activities financed by Poderosa in 2019

COMMUNITY	TREES PLANTED	REFORESTED OR FORESTED HECTARES	EXECUTION
Macania	24,000	17.77	Asociación Pataz
Succhamarca	8,000	7.20	Asociación Pataz
Pataz	16,000	14.40	Asociación Pataz
Tayabamba	8,000	7.2	Asociación Pataz
Chugay	205,354	171.49	Asociación Pataz
Chugay	6,386	7.98	Asociación Pataz
Tayabamba	55,000	50	Asociación Pataz
Vijus	2,550	3.24	Poderosa
Vijus	3,000	1.3851	Poderosa
Vijus	750	0.3	Poderosa
Hualanga	2,500	1.375	Poderosa
La Brava	2,637	0.554	Poderosa
TOTAL	334,177	282.8	

It is worthwhile mentioning that throughout the history of the company more than 3,300 hectares have been forested with over

4'470,000  
TREES PLANTED



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# ENERGY MANAGEMENT AND PROJECTS

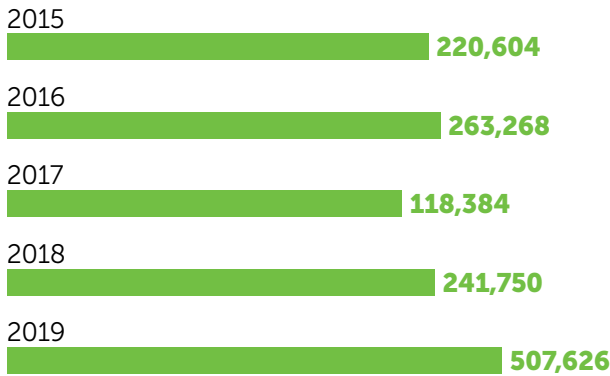
During 2019 our energy consumption increased by 15.2% compared to 2018 as a result of production growth. The National Interconnected Grid (SEIN) increased its input by 11.83%, hydroelectric power generation increased by 1.04% and thermal electric energy production increased in 105.26%, therefore, oil consumption rose by 110%.

Energy breakdown per type of source



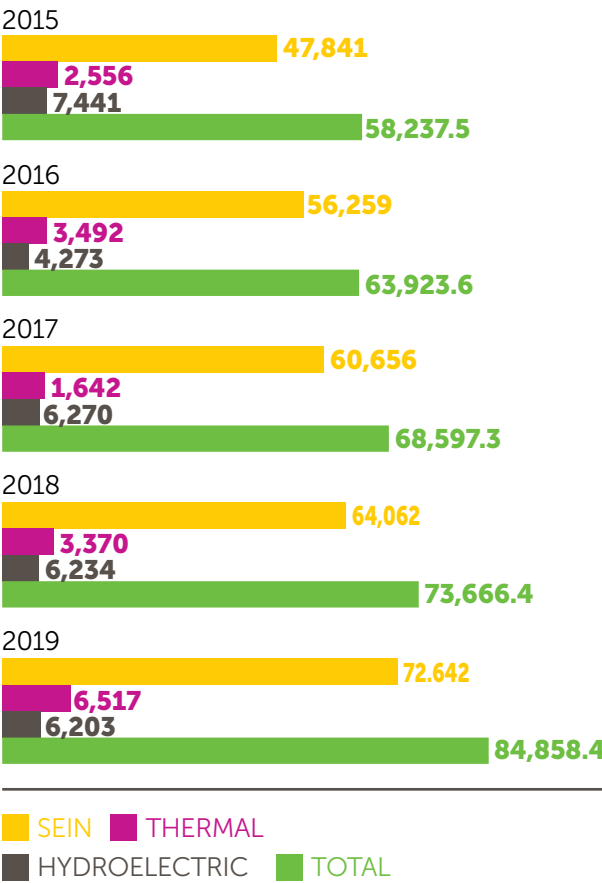
■ NATIONAL INTERCONNECTED GRID (SEIN). 64,063 (87%)  
■ HYDROELECTRIC. 6,234 (8%)  
■ THERMAL. 3,370 (5%)

Oil consumption for thermal electric energy generation (gallons)



■ NATIONAL INTERCONNECTED GRID (SEIN). 71,643 (85%)  
■ HYDROELECTRIC. 6,298 (7%)  
■ THERMAL. 6,917 (8%)

Annual energy evolution (MW-h)

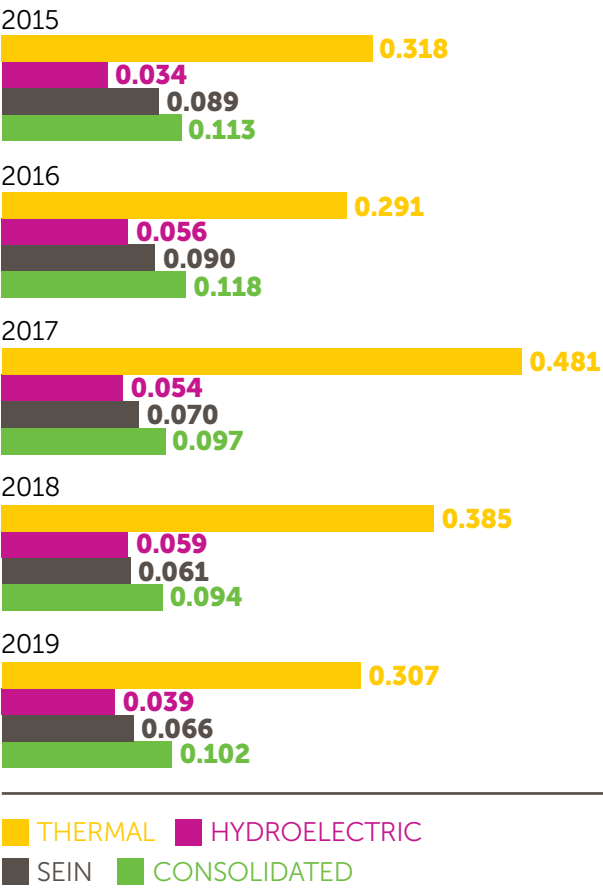


The accrued cost of energy in 2019 was 0.102 USD/kW-h. This result is 8.7% higher than that of 2018 (0.094 USD/kW-h). This is the result of a greater contribution of the thermal power station and greater oil consumption.

**MINE**

The Marañon unit energy and maintenance area purchased a container office for the workshop in Karola and 25 switchers with residual current device for electric pumps and hauling winches. Also, an

Evolution in energy costs (USD/kWh)



overhaul was performed to one locomotive and three pneumatic shovels.

In Santa Maria production unit, infrastructure was implemented for an electric cables deposit inside the mine, a 5t bridge crane was installed in the mine maintenance workshop, and we continued to implement electric starter panels with residual current device in equipment inside the mine (pumps and jumbos). All the same, three locomotives and two pneumatic shovels were overhauled. Eight complete transmissions were purchased for



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5T Siton Locomotives, first batch; two 25HP AC electric engines were bought for ZIBO electric shovels and maintenance and repair of the two 50,000 CFM main fans was performed.

—  
**PLANTA**

In 2019, the Santa Maria plant carried out structural maintenance and changed the EP7 thickener tank from flat to cone-shaped bottom, and maintenance was carried out to the Magensa 15"x24" CQ1 jaw crusher. Also, a 37 kW electric engine was purchased together with a starter for the 16"x24" CQ4 jaw crusher, a speed reducer for the 7.5'x12' ball mill and a hydraulic power unit for the precipitate press filter.

Marañon plant purchased a frequency variator panel for the 9.5'x12' ball mill, a stand-by electric engine for the 9.5'x12' ball mill and a Distribution Control Center.



—  
**HYDROELECTRIC POWER GENERATION AND TRANSMISSION**

With respect to power transmission, the six 4.16 kV medium voltage cells were commissioned inside the mine at levels 2120, 2260, 2410, 2520, 2670, as well as in the surface at Santa Maria substation, to provide power supply.

We continued to expand the 4.16 kV electric power transmission lines inside the through the installation of N2XSEY 3x35 mm<sup>2</sup> cable, to reach the new supply points.

The following 25 kV surface transmission lines were implemented:

1. 25 kV air power transmission line from Santa Maria substation to the provisional substation in Chacparrosas.
2. 25 kV air power transmission line from Consuelo I Substation to Hualanga Substation.
3. 25 kV underground power transmission line for the derivation to Cedro substation.

At the El Tingo thermal electric power station, the 3516, EMD1 and C27-01 power generators were automated, to facilitate their operation. Equipment was installed for temperature measurement and protection in the supports of each of the turbine generators. A control panel was installed for Auxiliary Services to control the fans and electric pumps.

A fuel Digital Control System was installed in the main fuel storage system (100,000 gl) and in each of the 7 electric generators, to manage stock and daily consumption in real time.

7 protection relays for each one of the output cells of the different production units were installed in the interconnection room, to improve the 25 kV protection system.

# INSTRUMENTS AND PROCESS CONTROL

The following improvements were made:

Integration of the residual and drinking water treatment plants to the Scada system.

Commissioning of the automated start system and protection of the 9.5x12 mill at Marañon and Santa Maria production units.

Relocation of the Santa Maria plant pressure pneumatic filter control panels.

Press filter control N°8 system software update and general automation of the new press filter N° 17 in Santa Maria PU.

Installation and commissioning of the new CCM IntelliCenter 2100 in the filtering and milling plant in Santa Maria PU.

Two 150 HP double stage 873 CFM Kaishan compressors were purchased and installed in the Consuelo compressor house.





# HYDROELECTRIC POWER AND TRANSMISSION LINE PROJECTS

At Poderosa we seek to have clean energy supply for our exploration, exploitation, treatment processes and for the services at the production units. Therefore, the following projects are being developed:

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## HYDROELECTRIC POWER USE PROJECT AT LAVASEN AND QUISHUAR RIVER BASINS. (LAVASEN-QUISHUAR HYDRO ELECTRIC POWER PROJECT)

This project is in the Bolivar and Pataz provinces, Condormarca and Pataz districts, correspondingly, in La Libertad department. This project will meet our energy demand, according to the scheduled growth, in a timely, clean, reliable, and economical way. The goal is to replace thermal energy generation which runs on diesel oil, and that purchased from SEIN with water resources, which are a renewable, sustainable, and efficient energy source.

The installed capacity of the three hydroelectric power stations will be 43.11 MW, and will generate 283.36 GWh annually

This project will be implemented in two stages:

**1. Nimpana hydroelectric power station (14.08 MW).** The second modification to the Environmental Impact Assessment (MEIA) was approved in September 2017 by RD N° 251-2017-MEM/DM, which includes the Nimpana hydroelectric power station. During 2019 we continued with the access works. All the same, procedures were started to update the Lavasen river water availability study, which expired in

February 2019, and is a requisite to request the final concession for power generation. Also, a tender process was started to review the engineering of this hydroelectric power station; this information will be available at the beginning of 2020 for decision making.

**2. Cativen I and Cativen II hydroelectric power stations (29.03 MW).** A request was made to extend the term for the execution of the works for there have been some problems that delayed their progress. We do not have the concession for energy transmission for the La Ramada substation deviation.

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## 138 KV TRANSMISSION LINE, LEONIDAS PACHECO CANO 1 SUBSTATION, CRUZ COLORADA SUBSTATION, LAGUNAS NORTE SUBSTATION

In 2019 the final concession was granted for the V8D Cruz Colorado substation (formerly, Nueva Ramada substation) transmission line.

The 138 kV LPCI - Cruz Colorado substation (formerly, Nueva Ramada) which had been approved, was not executed due to a decision by the company, and studies are underway to develop the third modification to the EIA, which includes a deviation and the connection to La Flor substation (close to Lagunas Norte-Barrick mine).

—

## REACTIVE POWER COMPENSATION PROJECT IN 25 KV

Given that the 60/25/10 kV Leonidas Pacheco Cano I (LPCI) substation is located at the end of a 60 kV radial system, which starts in the 220 Cajamarca bar, from which energy is supplied through a transmission line of approximately 150 km, which supports several considerable loads, the power supply we receives is therefore considerably low. Furthermore, the power fall is critical during peak hours.

With the reactive power compensation project, we expect the following results:

- Reactive compensation equal to or greater than 6.5 MVAR in the 25 kV bar at Leonidas Pacheco Cano I Substation will enable injecting 10 MW power from the Cajabamba substation to the LPC I substation, measured at the Cajabamba substation, for critical cases of peak demand, whether in rainy or dry seasons. This effect will result in lower use of thermal energy (power stations), therefore reducing diesel oil consumption.
- Not only the implementation of reactive compensation will enable us to intake a higher load, but it will also improve the energy of the operation in the 60 kV bar at LPC I substation, that will reduce losses in the power line, and this will be reflected in lower invoicing costs.

In June 2019, a turnkey agreement was signed with a well-known company for the engineering, supply, construction, and commissioning of the 6.5 MVAR reactive compensation at the LPC I substation in the 25 kV bar. It is estimated that the project will be executed and running by May 2020.

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## 60 KV TRANSMISSION LINE FROM LPC I SUBSTATION TO CHACPARROSAS SUBSTATION

In 2017 the 25kV interconnection project was implemented from the Atahualpa substation to the Santa Maria substation, improving the voltage level and reliability of this line. The fast growth of the operations at Santa Maria have caused this improvement to be insufficient in the short term, therefore in 2017 a study was proposed to implement the transmission line at 60 kV level, from the LPC I substation to the Chacparrosas substation.

During 2019 we hired the development of the first stage basic and detailed engineering, right of way recognition, certificate of absence of archaeological remains (CIRA), and Environmental Impact Statement. Progress was made in the development of the basic and detailed engineering as well as in field studies (topography and road design). All the same, the purchase order was generated to buy the main equipment for the Chacparrosas Substation switcher yard and the LPC I expansion.

—

## ENERGY SUPPLY MANAGEMENT BY THE NATIONAL INTERCONNECTED GRID (SEIN)

During 2019 an addendum was negotiated with the power supply company to increase the amount of energy and power contracted. Therefore, we try to reduce the use of thermal power and oil. We expect to have a higher supply in the first quarter of 2020.



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SOCIAL MANAGEMENT



The safety of our labor force is more important than our production goals. This approach is linked to our entrepreneurial vision. Being a company, whose workers feel proud of working with, is a challenge that pushes us to improve our safety and security culture on a daily basis, in every activity and at all times. We believe in equal opportunities, we do not discriminate due to religion, race, gender, sexual orientation, or HIV condition. In that sense, we seek to provide professional and personal development opportunities to our employees, and we constantly provide training, so they can improve their performance in both aspects. All the same we work to provide them with safe and adequate camps and worksites to carry out their activities.

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



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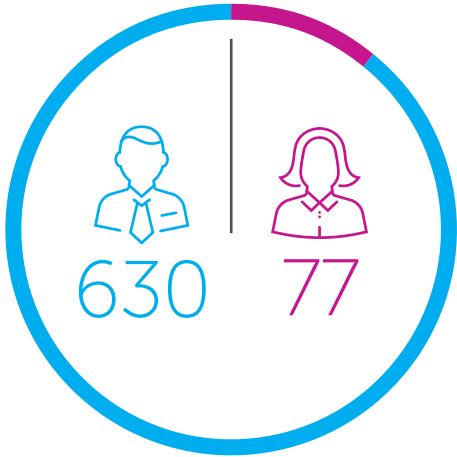
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OUR PEOPLE

Our employees by type of contract and gender

TYPE OF CONTRACT	WOMEN	MEN
Fixed Term		
Full time	17	69
Part time	-	-
Indefinite term		
Full time	59	561
Part time	1	-
GENERAL TOTAL	77	630

Source: Minera Poderosa database



Workers per job category, geographic location, and gender

OCCUPATION	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Workmen	305	48%	3	4%	178	55%	13	8%	117	53%
Employees	313	50%	71	92%	146	45%	135	84%	103	47%
Officers	12	2%	3	4%	2	1%	13	8%	-	-
Total	630	100%	77	100%	326	100%	161	100%	220	100%
%	89%		11%		46%		23%		31%	

Source: Minera Poderosa database





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Workers per age, gender, and geographic location

AGE	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Under 30 years	43	7%	15	19%	34	9%	8	5%	16	10%
Between 31 and 40 years	155	25%	34	44%	78	26%	51	35%	62	37%
Between 41 and 50 years	218	35%	19	25%	136	34%	48	33%	50	30%
Between 51 and 60 years	151	24%	3	4%	108	24%	20	14%	27	16%
Between 60 and 61 years	63	10%	6	8%	37	7%	19	13%	13	8%
Total	630	100%	77	100%	393	100%	146	100%	168	100%

Workers that joined us in 2019 by age, gender, and geographic location

AGE	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Under 30 years	12	30%	2	29%	10	59%	2	20%	2	10%
Between 31 and 40 years	19	48%	4	57%	7	41%	3	30%	13	65%
Between 41 and 50 years	6	15%	1	14%	-	-	4	40%	3	15%
Between 51 and 60 years	3	8%	-	-	-	-	1	10%	2	10%
Between 60 and 61 years	-	-	-	-	-	-	-	-	-	-
Total	40	100%	7	100%	17	100%	10	100%	20	100%



47 LABORERS WERE HIRED IN 2019

Workers terminated in 2019 by age, gender, and geographic location

AGE	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Under 30 years	9	19%	4	36%	4	37%	5	7%	4	19%
Between 31 and 40 years	18	38%	7	64%	7	24%	10	43%	8	38%
Between 41 and 50 years	13	27%	-	-	4	24%	3	18%	6	29%
Between 51 and 60 years	5	10%	-	-	3	5%	1	14%	3	14%
Between 60 and 61 years	3	60%	-	-	1	11%	-	18%	-	-
Total	48	100%	11	100%	19	101%	19	100%	21	100%

Source: Minera Poderosa database

Poderosa annual staff turnover

Poderosa annual staff turnover

PAYROLL	WORKMEN	EMPLOYEES	OFFICERS	TOTAL 2019	TOTAL 2018	TOTAL 2017
Active	308	384	15	707	709	718
Terminated	5	20	-	25	95	74
Turnover	2%	5%	-	4%	13%	10%

Contractors' workers annual turnover 2019

PAYROLL	WORKMEN	EMPLOYEES	OFFICERS	TOTAL 2019
Active	2638	443	0	3081
Terminated	1028	175	0	1203
Total turnover	38.97%	39.5%	0%	39.05%

Source: Minera Poderosa database



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# LIFE QUALITY

Life quality refers to the set of conditions that contribute to the wellbeing of the individuals and to developing their skills. At Poderosa we make sure our employees can have pleasant rest in our camps, we apply continuous improvement and quality policies every year, so that every worker can feel proud of working with us.

## INFRASTRUCTURE IMPROVEMENTS

In 2019 we have improved the lodging facilities both for the contracting companies and for our staff.

The Paraiso Camps Ñ and O (capacity for 21 Poderosa and contractor workers) in Marañon PU have been fixed. We have also fixed camp N°4, with

capacity for 20 Poderosa workers and in Cedro, the progress in the construction of the prefabricated camp for 48 contractor workers has reached 40%. In Santa Maria PU we have fixed prefabricated camp 2410, with capacity for 98 contractor workers. All the same the progress in the repair of prefabricated camps 2520 and 2670 with capacity for 98 workers each, reached 60%. Camp 2670, with capacity for 60 contractor workers, was fixed and the laundry areas of the officers' house, hotel 1, and hotel 3 have been improved.

All the same, we changed bedding (blankets, sheets, and pillows) destined to all our workmen and maintenance activities were performed in the camps and hotels, therefore enhancing comfort for our workers.

CAMPS		COMPANY		CONTRACTORS	
LOCATION	STAFF	AREA (m²)	BEDS	AREA (m²)	BEDS
Paraiso	Officers	35	3	-	-
	Employee	529	98	600	96
	Workmen	469	134	2,013	578
Vijus	Officers	70	5	-	-
	Employee	657	101	462	71
	Workmen	207	69	843	281
Santa Maria	Officers	35	3	-	-
	Employee	750	120	856	137
	Workmen	266	74	2,661	1,109
Cedro	Employee	78	13	222	37
	Workmen	93	31	759	253
Total		3,188	651	8,416	2,562

Source: Minera Poderosa database







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# SOCIAL WELFARE

We are convinced that the bond between the workers and their families improves their life quality. To achieve this, we carried out activities that involve their participation and commitment.

## ADMINISTRATIVE PROCEDURES (HEALTH AND WELLBEING)

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

- EsSalud Registrations:
- 63 registrations before EsSalud for rightful beneficiaries, among wives and children; and, 25 nursing benefits, which are oriented to care for the newborns.
- Registration with Health Care Providers (EPS): 17 registrations to Healthcare Providers.
- 150 medical leaves were processed (corresponding to daily leaves) for their registry in the payrolls within the first 20 days and subsidies.
- PEN 391,974.00 were recovered for sickness allowances, labor accidents, sequels to labor accidents and maternity leaves
- The majority of the subsidies were due to common sicknesses, in total, 29 people including employees and workers; some severe cases were also detected.
- Six workers received medical attention due to labor accidents and sequels to labor accidents
- Five maternity cases were solved.

## BENEFITS FOR THE WORKERS:

- Access to PACÍFICO health insurance for the worker and his family.
- VIDA LEY insurance since the first working day.

- Workers have an all risk and health insurance and a pension that cover labor accidents or occupational diseases.
- We have adequately equipped health clinics to provide first aid and basic healthcare services.
- Workers receive permanent medical attention and participate in health prevention and promotion campaigns.
- Workers undergo annual medical exams, according to law.



## SOCIAL MANAGEMENT

- Workshops on Violence against women: Awareness raising for prevention, addressed to Poderosa and contractor's social workers.
- Workshops on social harassment, addressed to Poderosa and contractors' staff.
- Visits to forty-eight workers due to family and / or health problems.
- Visits to workers who were derived to hospitals and who required attention and family counselling.
- Active pauses were developed to improve labor performance.

## RECREATION AND SOCIAL AND CULTURAL ACTIVITIES

According to the Schedule of activities, celebrations such as Friendship Day, carnivals (Yunzas), sports championships, aerotons and birthday celebrations were held. All the same,



the company recognized the work of our staff by celebrating Mining Engineer's Day, Women's Day, Labor Day, Poderosa's Anniversary, Mother's Day, Father's Day, Independence Day, Family day, Christmas, a nativity contest, and New Year.

## CANTEEN SERVICE MANAGEMENT

Se desarrollaron las siguientes actividades:

- A quarterly survey was carried out to measure the service provided by the concessionaires. An action plan was designed
- Development and compliance of the inspection program in each unit.
- Compliance with and control of Significant Environmental Aspects
- Periodic meetings were organized with the managers of canteen franchises to establish commitments for continuous improvements at each canteen
- Pest control: the fumigation program was carried out
- Inspections and audits were performed.



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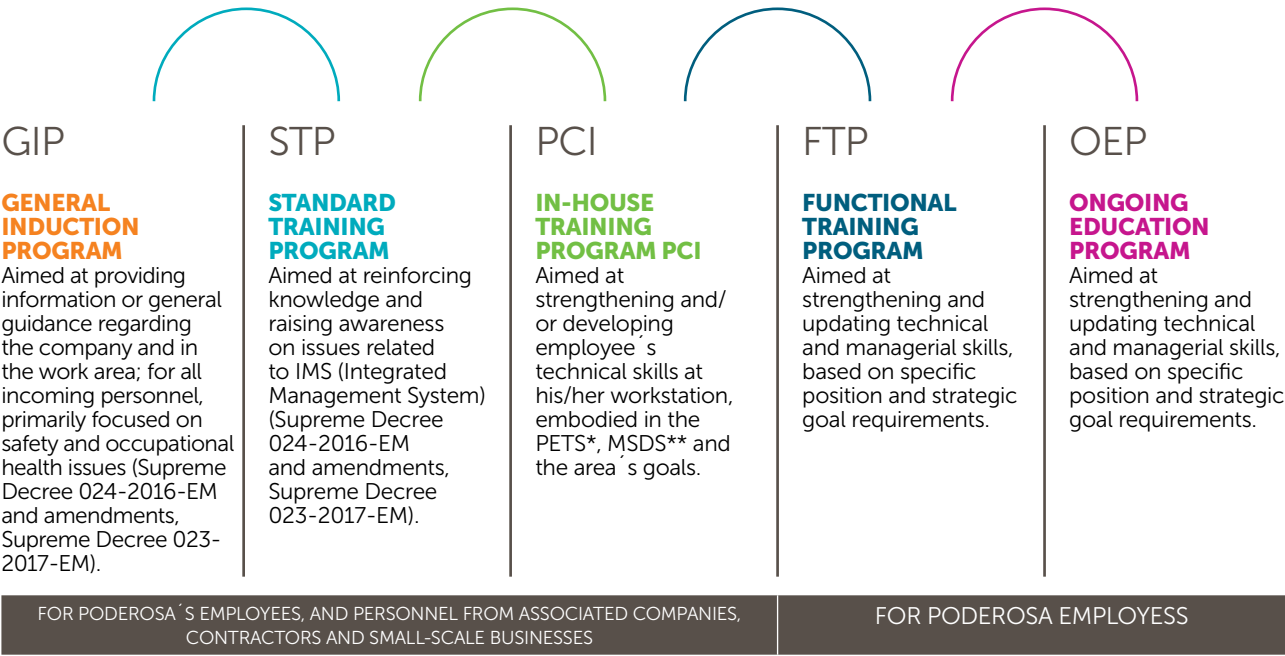




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# BUILDING TALENT: VOCATIONAL TRAINING

Training facilitates the professional and personal growth of our employees. During 2019 we gave special attention to the development of our employees 'potential. We carried out a comprehensive training program in line with the company's strategic objectives. This program has enabled to build and/or develop the skills of employees, enhance employment opportunities, and help with risk prevention at work. Investment in training was USD 1'323,565.71.



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

In 2019, we managed to develop our comprehensive training program, as detailed in the tables below:

Training hours per job position, gender, and type of training

PROGRAMS	GENDER	TOTAL TRAINING HOURS	N° OF PEOPLE	TRAINING HOURS/ PERSONS
Functional Training Program	F	879	34	14.89
	M	8,005	165	27.6
Continuing Education Program	F	157	5	26.16
	M	703	14	39.05
Standard Training Program	F	381	157	1.98
	M	49,627	4,150	17
General Induction Program	F	7,344	207	19.12
	M	147,760	4,031	19.35
In-house Training Program	F	1,788	240	13.5
	M	72,491	5,304	17
Seminars and Meetings Program	F	412	77	3.4
	M	2,311	2,535	3.6
Total	F	10,961	720	79
	M	280,897	16,199	124

Training Hours on Occupational Risk and Health Prevention

Occupational Risk and Health Prevention	45,505
Health	9,689
Environment	7,582
Training	248,969

Number of man-hours training per work post type

Interns	12,477
Workmen	131,331
Employees	12,276
Officers	7,11

Continuing and Functional Training Program

	QUANTITY	CLASSROOM BASED FORMAT
University degree	8	8
Diploma	1	-
Specialization	6	6
Masters	8	-
Refresher courses	406	406



403-5  
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404-1  
404-2

— **KNOWLEDGE TRANSFER TO CONTRACTORS**

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

**Training for contractors**

TYPE OF COMPANY	TOTAL NUMBER OF TRAINING HOURS	N° OF PEOPLE	TRAINING HOURS PER PERSON
Associated and micro businesses	24,628	2,870	70
Mining companies	103,935	3,019	140
Artisanal mining companies	3,471	1,232	35

— **"FOLLOW MY DEVELOPMENT" CERTIFICATION PROGRAM**

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

**Number of Written Safe Work Procedures assessed, approved, and certified (PETS)**

TYPE OF SUPPLIER	2012	2013	2014	2015	2016	2017	2018	2019
Poderosa	22	554	2,235	2,998	1,743	1,176	827	723
Mining contractors	142	3,802	17,441	13,547	15,645	14,181	13,860	11,342
Related contractors	35	69	352	1,743	4,298	4,613	3,762	3,115
Artisanal miners	11	35	2,326	2,791	2,184	2,042	3,228	3,769
Micro businesses		27	104	332	1,297	1,482	1,456	1,234
General total	210	4,487	22,458	21,411	25,167	23,494	23,133	20,183

PETS TRAINING EFFORT  
(NUMBER OF PETS APPROVED)





# ACKNOWLEDGEMENT PROGRAM

The feeling of belonging of our workers is expressed through their work and effort, and that is something we appreciate and recognize. Acknowledgement of labor performance promotes positive change, and this allows workers to reflect our brand, vision, values, and strategies every day. These are then transmitted through their commitment and behavior.

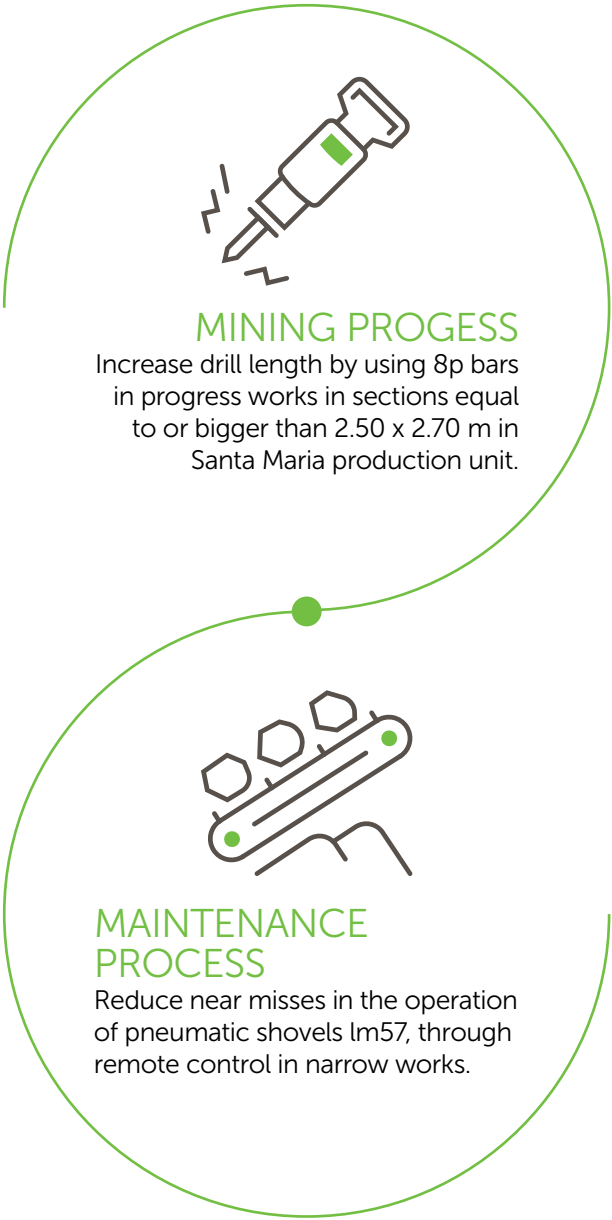
As we do every year, we recognized the most outstanding employees in 2019, both from Poderosa as from our contractors, with the Jesus Arias Davila award, which promotes safe behavior in areas of operational discipline, 5S philosophy, as well as teamwork, initiative, respect, productivity and safety training.

As part of the celebrations for Miner's Day, on December 5, 34 employees, 5 workers and 8 supervisors of Poderosa, and 16 contractor workers received this prize.

## CONTINUOUS IMPROVEMENT CIRCLES AND TEAMWORK

On October 2019, we took part in the 29° quality assurance meeting in Peru, organized by the Sociedad Nacional de Industrias (SIN), under the slogan "Change Management and Sustainability". Two projects were submitted for mining process and maintenance enhancement and were recognized nationally as projects for management improvement. These projects were:

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



## INNOVATION LEADER

CONCYTEC, the National Council for Science Technology and Technological Innovation awarded us a recognition for the development of the projects "Technical evolution and 4D structural modeling; outline of new drilling targets", and "Implementation of an integrated waterproofing solution for water storage in a dry ravine". CONCYTEC acknowledged our contribution to strengthening science, technology, and innovation.

Our company's project is based in research, development, and innovation (R&D&I). This presentation was part of the successful R&D&I projects, with tax benefits under Law N° 30309.

## PARTICIPATION IN AN INNOVATION SEMINAR IN JAPAN

Given the need to establish mechanisms that allow developing new ways of doing things that could complement the continuous improvement circles, we decided to look up to Japan, innovation leader and pioneer in developing total quality, quality control circles, 5S and Kaizen (continuous improvement). Thus, we requested AOTS Peru to coordinate with AOTS Japan to hold a specific seminar, called Training Seminar on Innovation for Poderosa Mining Corporation, Perú X574.

This seminar was held from July 1 to 6 in Tokyo, Nagoya, Kyoto and Osaka. The program of the seminar consisted of conferences and visits to leading and prestigious Japanese companies, where the visitors learned about innovation practices. The most important topics were leadership, human resources, and innovation in people-based processes. The delegation was made up by Poderosa and contractor employees who adhered to this initiative.

<sup>14</sup> 5S: Japanese 5S Philosophy, which stands for: sort, set in order, shine, sustain and self-discipline.

## 5S<sup>14</sup>

For the sixth consecutive year, we participated in the national 5S competition organized by the Kenshu Kiokay Association of Peru (AOTS Peru), sponsored by the Embassy of Japan. In 2019 our Administrative Offices (Surco and Chorrillos) and our operational units (Marañon and Santa Maria production units) were awarded the diamond and gold medals, respectively.

Encouraging the use of the 5S philosophy has stretched beyond our boundaries. This philosophy has been instilled in our temporary workers as well as in the mine's surrounding communities, particularly in schools where our employees have led seminars and workshops in order to teach this method to schoolchildren.





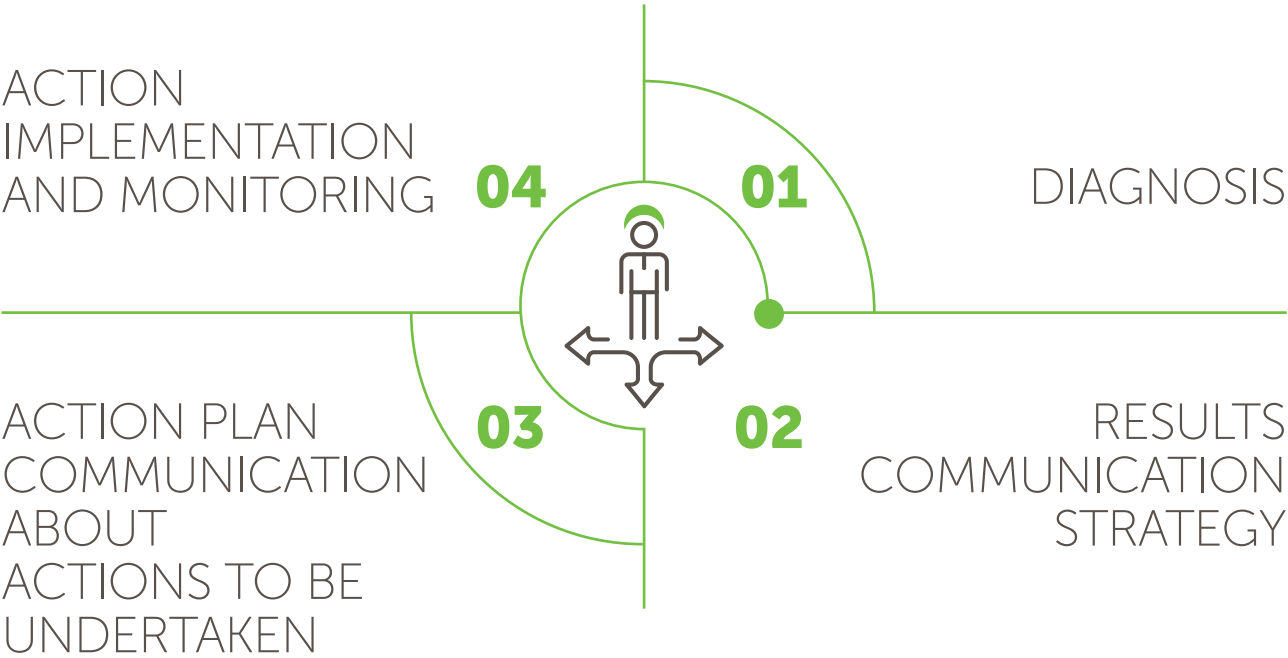
# WORKPLACE ENVIRONMENT

The set of emotions, impressions, or perceptions of employees about their work environment impacts on their motivation, and therefore, on their professional performance. We seek to generate an optimal organizational environment. To do so, we use the results of the last organizational environment survey carried out. During 2019, we followed-up on the action plans aligned with

our strategic objectives. The projects developed and described in this document aim at improving working conditions for all the members of Poderosa.

We must mention that in the first quarter of 2020, a new survey on labor environment will be carried out.

## Workplace environment cycle



# LABOR RELATIONS

## Personnel that make up the sole labor union (SLU)

Workers who are SLU members	237	76.95%
Workers who are non-SLU members	71	23.05%
Employees covered by a collective agreement*	-	-
Total Workmen	308	43.56%
Total Employees	399	56.44%
Total workers	707	

\* No employees became members of the SLU.

## HUMAN RIGHTS

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



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# OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Safety First means prioritizing life over any other goal. Our efforts are focused on developing a safety culture that enables empowering the working teams to promote mutual support, anticipation to accidents, assuming responsibilities and buying-in the safety culture. Every company area seeks to achieve sustainable safety. The senior management, with the leadership of the general management, promotes compliance with safety policies, procedures, regulations, and standards through process inspections. The management line is accountable for its safety and occupational health performance, which in turn, is advised by the safety professionals through field follow-up and guaranteeing the correct application of labor risk prevention techniques such as ongoing IPERC<sup>15</sup>, ATS<sup>16</sup> and PETAR<sup>17</sup>, as well as initiatives of behavioral change: STOP<sup>18</sup> and the 7 Golden Rules.

We have an Occupational Health and Safety Management System that includes 20 elements, as detailed in the Annual Occupational Health and Safety Management Program. All the same, our integrated system is based on ISO (9001 and 14001) and OHSAS 18001 standards.

The working place for more than 3,800 workers of Poderosa and contractors is under our control. This space must strictly comply with each one of the elements established under the Occupational Health and Safety Management System. Moreover, all the contractor companies are subject to auditing, to verify they comply with the regulations of the Occupational Health and Safety Management System. We must mention that two mining contractors and one related activities contractor have received ISO certification; the others are in the process of doing so.

Despite our safety efforts, in 2019 we suffered four casualties in four different events, irrecoverable losses which commit us to working harder and with more determination to meet the zero injuries goal in the shortest possible time. Also, we had 45 accidents, which represent a 10% reduction in injuries compared to 2018. 100% of these accidents were suffered by men; most of the injured workers come from other regions (49%), the rest come from La Libertad (42%) and Lima (9%). We must highlight the figures attained in two periods, between April and June, and between August and October: 1'125,196 and 1'291,892 hours/person with no disabling accidents.



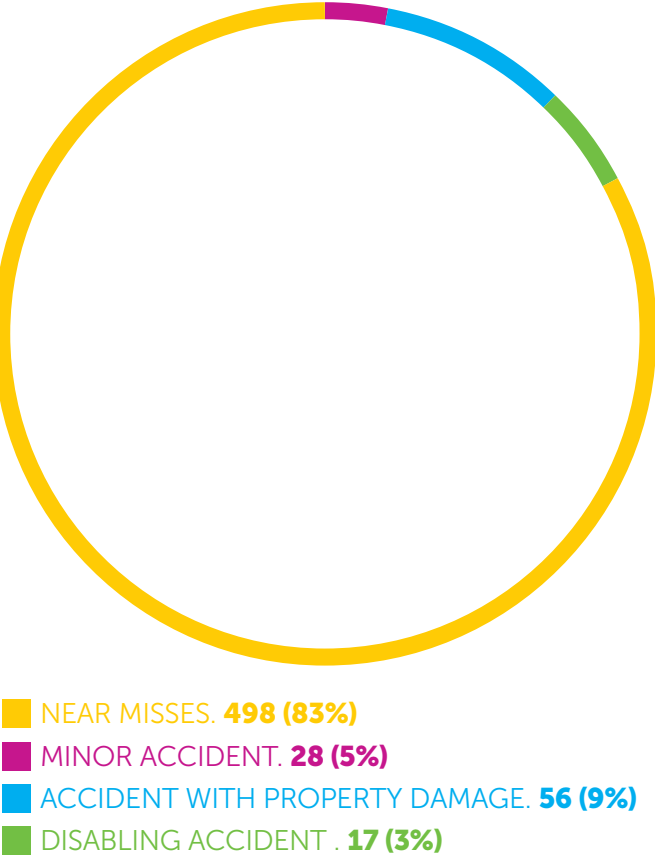
<sup>15</sup> Continuous IPERC: Continuous Identification of peril, risk assessment and controls  
<sup>16</sup> ATS: Safe Work Analysis  
<sup>17</sup> Written Permit for high risk tasks  
<sup>18</sup> Occupational Safety through preventive observation



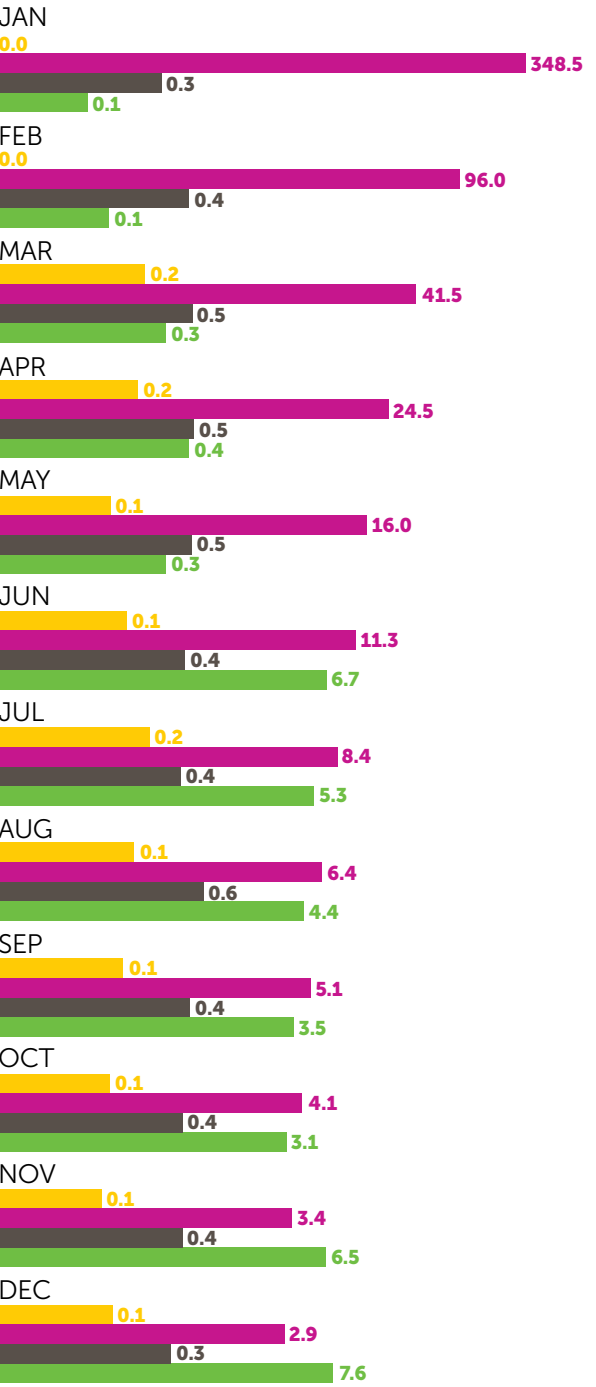


During 2019, to rock falls and material handling accounted for the two most common types of recurring injuries due to labor accidents. All the same, the number of man hours worked was **7´642,273**. We must mention that we have improved the IPERC standard for the risks identified in each one of the processes.

Report by type of accident / Near misses-2019

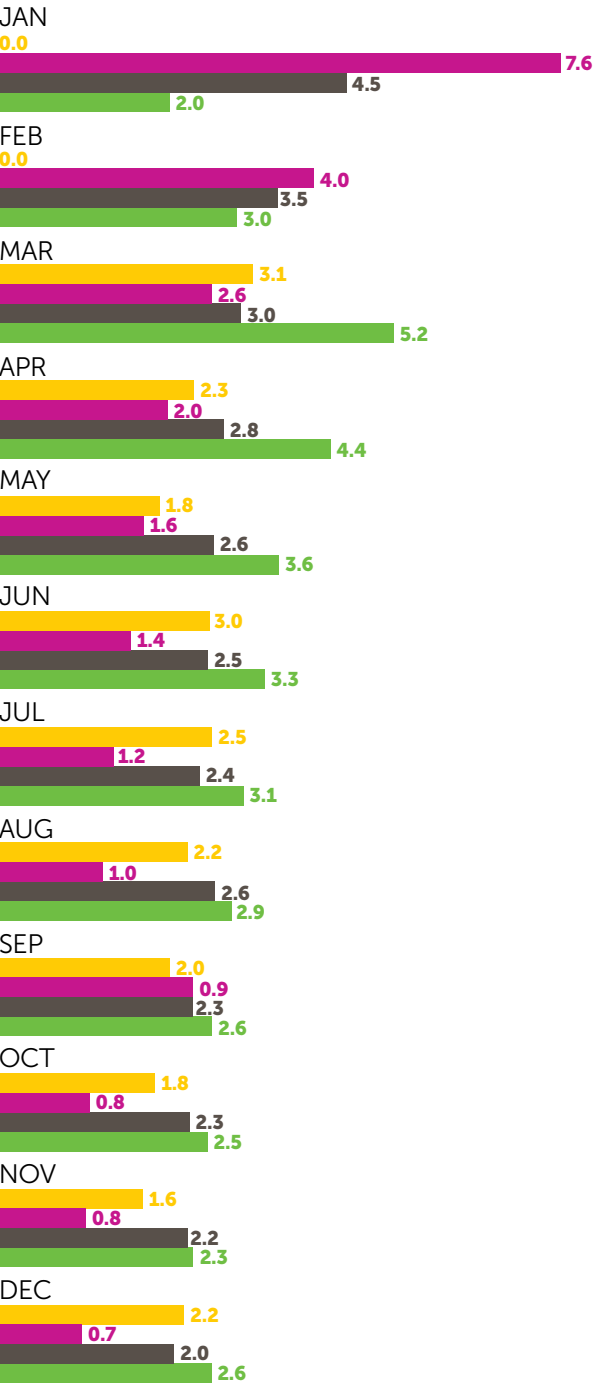


Accident Rate (AR) 2018-2019



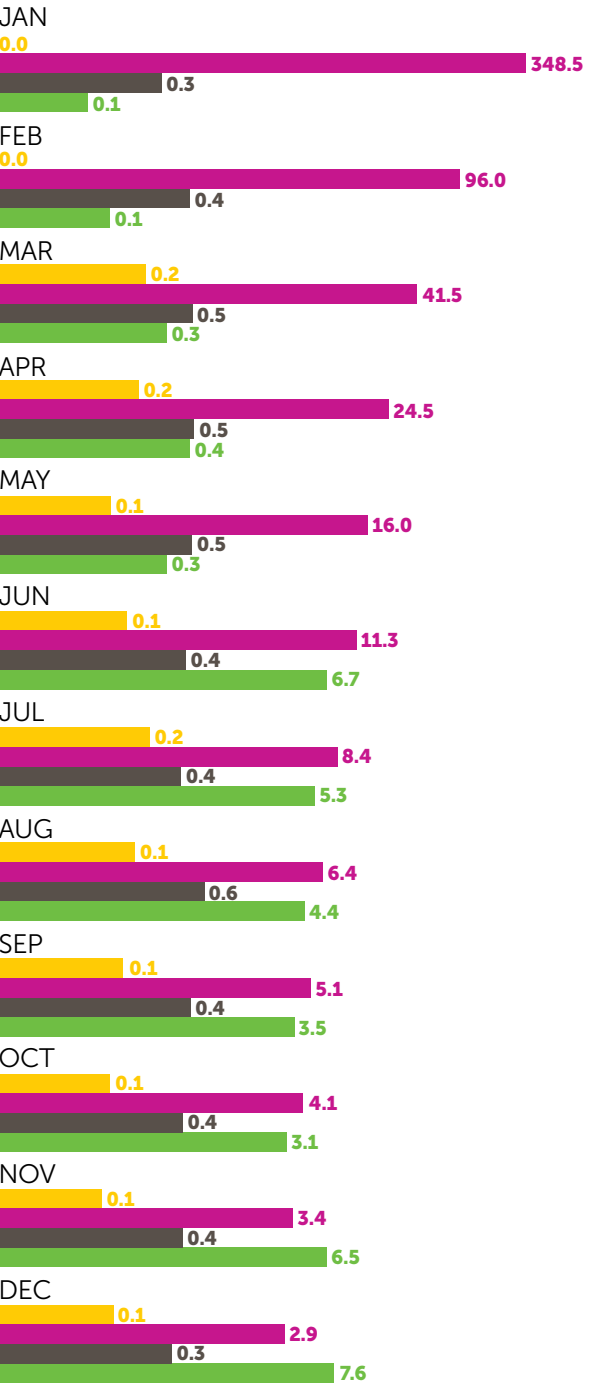
PODEROSA 2018 PODEROSA 2019  
CONTRACTORS 2018 CONTRACTORS 2019

Frequency Index (FI) 2018-2019



PODEROSA 2018 PODEROSA 2019  
CONTRACTORS 2018 CONTRACTORS 2019

Severity Index (SI) 2018-2019



PODEROSA 2018 PODEROSA 2019  
CONTRACTORS 2018 CONTRACTORS 2019

Safety indexes are calculated for every 1'000,000 hours worked.





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—  
**OCCUPATIONAL HEALTH AND SAFETY TRAINING**

In 2019, a total of 156,795 man-hours training were provided to our workers and contractors; all the same, from January to December leadership workshops and group trainings were held with the senior leaders to develop operation supervision skills, with field follow up to strengthen safety culture.

—  
**AUDITS**

In February, professionals from the Occupational Safety and Health area carried out an internal audit to the operational discipline processes; also, in July and December DuPont conducted audits to the Occupational Safety and Health System; and towards the end of the year an internal Audit was performed to migrate from OHSAS 18001 to ISO 45001.

—  
**OCCUPATIONAL HEALTH AND SAFETY COMMITTEE**

In December, the workers elected both their official and deputy representatives before the Occupational Health and Safety Committee for the period 2020-2021. This Committee is made up of 12 members (50% are employee representatives and the remaining 50% represent the company).

—  
**EMERGENCY RESPONSE**

This year we have equipped the Class 3 Rescue and Fire Fighting system in the Chagual airdrome for emergency response. Also, the first responders received training, preparation, coaching and performed drills, and we have set emergency

stations in Chagual, Vijus, Papagayo, Cedro and Santa Maria. In April, ISEM granted and award to the project "Reducing emergency response times through the use of intelligent helmets in surface and mine" during the 4th International Contest on Best Safety and Health Practices in the Mining Industry.

—  
**OCCUPATIONAL HEALTH MANAGEMENT**

**Occupational Hygiene**

In order to determine the exposure level of the different job positions with respect to health risk agents (physical, chemical, biological, ergonomic and psychosocial factors), a study was carried out through assessment and monitoring based on the comprehensive occupational hygiene program. From the results obtained, recommendations have been given to implement process improvements.

**Occupational Medical Surveillance**

We continue with our strategy to promote common and occupational disease prevention campaigns, for which we have identified health risks and proposed prevention and control activities established in the 2019 yearly program.

In this regard we carried out training activities to prevent prevailing common diseases and occupational diseases, and we held a course on occupational health and first aid, for all our workers. All the same, with the participation of the psychology area, interventions were made on psychosocial risks among the specialized mining contractors. Several health campaigns were launched among which we can mention the following: dental, fumigation for the control of malaria, bartonella, dengue, zika, chikunguya, and other mosquitoes; and vaccination against influenza, hepatitis A and B, and typhoid.

Microbiological laboratory tests were run on drinking water, the environment as well as on living and inert surfaces in the canteens; people who handle food were tested to rule out parasitosis and mycosis. Monitoring of biological agents was carried out in different working areas both in the surface and inside the mine. Refinery, metallurgical laboratory, and chemical laboratory workers were tested on a regular basis for lead and arsenic. We continued with the oral rehydration program for the workers inside the mine and we worked hand in hand with the Occupational Hygiene area.

The incidence rate for common diseases was 31.07% (target  $\leq 35\%$ ), lower than that recorded for 2018 (32.58%). Workplace absenteeism due to common illnesses was 6.66 medical leave days on average per month per one thousand workers. This figure was higher than that reported in 2018, which was 5.95 days (target:  $\leq 20$  medical leave days per 1,000 workers).



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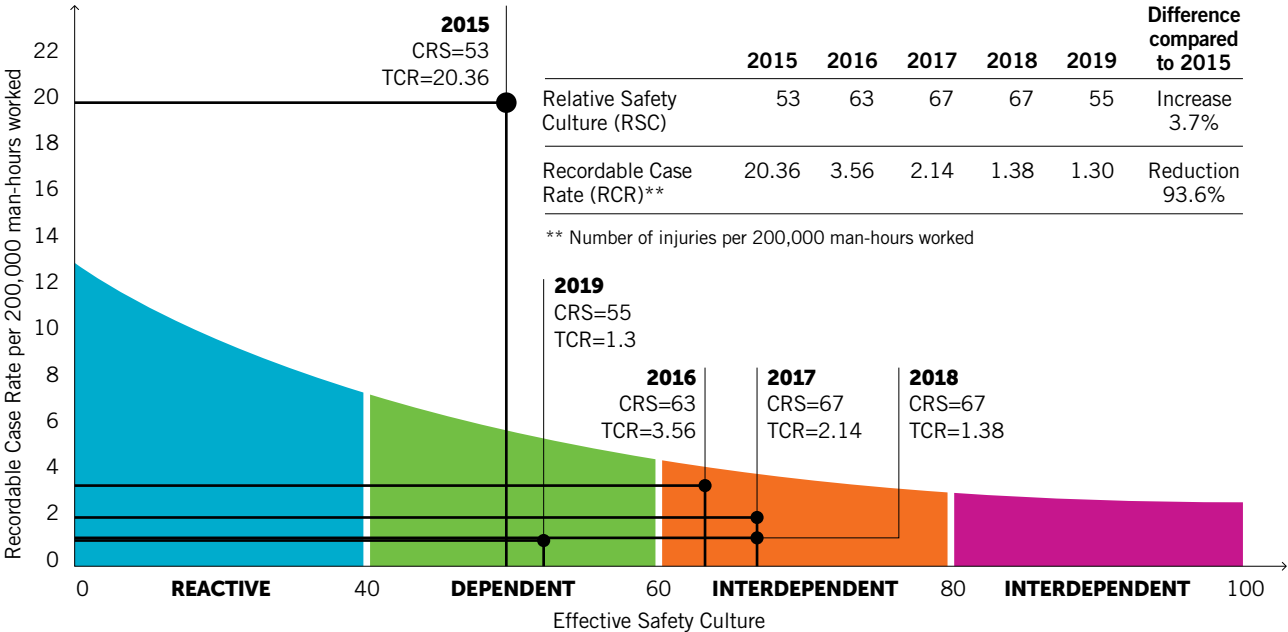
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Sustainable safety culture development

The safety culture of an organization is based on values, convictions, standards, and good practices; and it can be assessed by the use of the Bradley curve. In 2019, the Relative Safety Culture (RSC) was 55 and the Recordable Case Rate (RCR) was 1.30.

IPERC: In August, an update of the IPERC base risk methodology was started to include the assessment of control efficacy. This year, we have carried out field follow-up to supervisors in the different processes to ensure the correct application of the IPERC methodology. This preventive technique, carried out by all the workers before they start their activities, consists of inspecting their working area to identify hazards in their surroundings.

Evolution of the occupational health and safety culture 2015-December 2019. Bradley Curve



9 GOLDEN RULES

During 2019, the 7 golden rules were in force, however, in February 2020, they were replaced by the 9 golden rules for life. Infringement of these rules are reported, analyzed, and actions are triggered according to the sanction matrix established in the Internal Work Regulations.

9 GOLDEN RULES for life



403-7

ALWAYS:

- 1 Under no circumstances do we work or demand others to work in unsafe conditions. We all have the right to say "NO" to unsafe work.
- 2 We do not work under the influence of alcohol, coca leaf or other illegal drugs.
- 3 Command line supervisors and workers are not permissive. We take immediate action in the event of risks.
- 4 All the procedures (PETS) and standards are mandatory and must be strictly complied with.

IN TEAMS:

- 5 We only operate engine-run equipment and winches with the corresponding authorization.
- 6 We do not enter in contact with equipment, systems or places that are blocked and/or labelled as dangerous.
- 7 We strictly comply with internal traffic regulations - RITRA (Speed limits, resting periods, traffic schedules, and restrictions during the rainy season).

AT THE WORKS:

- 8 When we enter the works we ventilate, water, untie loose rocks and we place the necessary supports according to the geomechanic assessment. We always verify labor conditions with continuous IPERC.
- 9 We always keep the spillways and lifting chimneys covered and with the grids fastened.





PART FOUR  
**SUPPLIER  
DEVELOPMENT**





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103-3

Our operation guidelines and demands make us focus on supplying quality goods and services in the specified time and at a competitive price, and our main goal is to develop and assess our suppliers as business partners. Therefore, we encourage the optimization of our suppliers' quality standards as regards sustainability, quality, safety, and environment throughout the value chain as to minimize risks and develop long-term alliances. This is achieved through supplier standardization, evaluation, and revaluation.

In this regard, our commitment goes beyond the relationships with our suppliers, who are able to develop innovative products, to provide increasingly complex services, and to increase productivity, making them more competitive.

The logistics department is responsible for supplying goods and services to ensure our production and administrative processes are performed in a timely and efficient manner.

Our supply chain considers several processes to help guarantee the supply of these goods and services. The process starts with an internal request order according to the annual investment and costs plan. Managers, superintendents and department heads, approve these orders.

There are some frequent consumption products are referred to as "automatic replenishment" and include materials such as liquid and gaseous fuels, chemical

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

Timely procurement is guaranteed by a logistics planning process, and by a team of buyers and warehouse keepers who carry out domestic purchases and imports. We also have a transit area or in-transit warehouse where materials and equipment are received and dispatched to our mining units, and which are delivered in Chorrillos (Lima) and in Trujillo.

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

In 2019 we had 734 suppliers (excluding contractors), among domestic and foreign, duly assessed. They supplied us with goods and services in compliance with the quality standards of our operations, management, and investment projects development. In addition, we have signed 16 supply contracts after establishing partnerships with strategic suppliers and 12 contracts for transportation services, technical support for service inspection and complementary logistics operations.

Origin of suppliers foreign - domestic



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Our policies are duly defined, and we have good administrative and operational practices procedures, both internal and external, that seek to maintain and strengthen our trade relations in the long run, in a comprehensive and loyal manner, with our strategic partners.

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

	TOTAL GOODS AND SERVICES (USD)	%
Region (La Libertad)	20'975,165	40%
Other regions	29'615,667	56%
Imports	1'868,032	4%
<b>Total</b>	<b>52'458,864</b>	<b>100%</b>

# QUALITY OF SUPPLIERS AND SERVICES IN GOOD PRACTICES

The assessment and reassessment of our suppliers is carried out under a risk-based management approach, considering commercial risk, corporate social responsibility, experience accreditation, financial risk, and management systems criteria. As part of this system, we use the Kraljic Matrix (management tool) to select critical and non-critical suppliers, to establish a supplier assessment process based on product severity levels and not necessarily on purchase volumes.

In addition, the Human Resources Department uses a tool that is able to objectively reassess the organizational results of the contractors which are at the core of the business. This tool is called Nine Box Performance Evaluation, which has enabled us to segment three performance groups and receive monthly productivity and safety performance indicators, mainly. This has enabled us to identify the following:

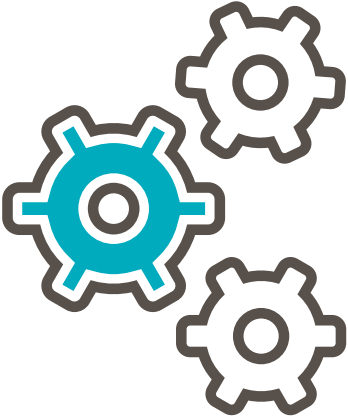
- **Elite contractors: 30%.** We have noted that this group has a strong safety performance and effective program compliance.
- **Promising contractors: 50%.** This group's results vary substantially. These contractors are in the process of standardizing results in order to become high achievers.
- **Low performing contractors: 20%.** This group has constantly shown a poor performance pattern and so, we need to pay special attention to it.

# ACCIDENT RATE ALONG CRITICAL ROUTE

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

Hazardous materials, such as liquid and gaseous fuels, lubricants, explosives, sodium cyanide, chemical products, among others, are included in the list of goods transported. Maritime or air freight agents transport imported goods, while domestic transportation is done from the coast through a long route that crosses the harsh geography and climate of the northern mountains, up to our two mining units. Safety and control standards have been set in place to guarantee an adequate transportation service. The accident rate in 2019 along the critical route was zero.

# SUPPLY CHAIN



1. — SUPPLIER
2. — WAREHOUSE
3. — TRANSIT
4. — SUPPLY WAREHOUSE (MINE)
5. — EXPLORATION
6. — MINING
7. — PROCESSING
8. — FINAL PRODUCT WAREHOUSE
9. — CARGO AGENT WAREHOUSE
10. — AIR TRANSPORTATION
11. — CLIENTS



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PART FIVE

# **NEIGHBORING COMMUNITIES: OUR COMMITMENT WITH LOCAL DEVELOPMENT**





413-1

The company’s sustainability and its good relations with the communities within our direct and indirect area of influence are only possible if we work under a multi factor approach and in partnership, acting as a good neighbor and holding friendly, honest and transparent relations with the populations. 100% of our operations include development programs with the participation of the local communities.

Our strategies include the following:

**Effective Communication and Citizen Participation**

we promote citizen participation processes when implementing mining projects. This practice provides feedback to help with adequate decision-making, accountability and/or the adoption of agreements. We have strengthened our effective communication through periodic meetings with the Community Development Committees (CODECOS), Sanitation Service Management Boards (JASS), senior authorities and local government, as well as through guided visits or queries in our information offices.

**Partnership and Joint Responsibility**

, through the combination of contributions and efforts between organizations and existing institutions, both at community and district level together with those outside the area but who also share joint responsibility.

**Contribution to Sustainable Development**

, through the prioritization of health, nutrition, education, and economic development as our social responsibility intervention principles and leading the communities within our direct area of influence towards community empowerment through the CODECOS and JASS, which community strategic plan prioritize their needs and projects selected within the established participatory district budget. These plans are adequately developed, and we seek to match the interests of the population with our own.

DIRECT AND INDIRECT AREA OF INFLUENCE

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

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

PRODUCTION UNIT / PROJECT	REGION	PROVINCE	DISTRICT	VILLAGE	COMMUNITY
UP Marañon	La Libertad	Pataz	Pataz	Vijus	
UP Santa Maria	La Libertad	Pataz	Pataz	Pataz, Campamento, Pueblo Nuevo, Zarumilla, Socorro	
UP Palca	La Libertad	Pías	Pías	Alacoto, Pamparacra, Pías	Pías Farming community
		Pataz	Pataz	Suyubamba, Antapita	Andrés Rázuri de Suyubamba Farming community
Proyecto exploración Montañitas	La Libertad	Pataz	Tayabamba	Tayabamba	La Victoria Farming community
			Huaylillas	Huaylillas	Estrella de Oro Farming community
			Ongón	Uctubamba	
Las Defensas Exploration project	La Libertad	Pataz	Pataz	Chuquitambo, Nimpana, Shicun	Sol Naciente Farming community
Nina Urqu Exploration Project	La Libertad	Pataz	Pataz	Alisos	
Batolito Pataz Exploration Project	La Libertad	Pataz	Pataz	Pataz	
Santa Filomena Exploration Project	La Libertad	Pataz	Pataz	Vijus	
Ariabamba Prospection	La Libertad	Pías	Pías	Pías/Melomea	Pías Farming community
Daniel Prospection	San Martin	Tocache	Shunte	Mamag	
Huacrachuco Prospection	Huanuco	Marañon	Huacrachuco	Huacrachuco	



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Surveyed population, by urban and rural area, and by sex, per district and ages

DISTRICT	POPULATION			URBAN			RURAL			TOTAL
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	
<b>Pataz</b>	<b>8,937</b>	<b>4,935</b>	<b>4,002</b>	<b>3,092</b>	<b>1,625</b>	<b>1,467</b>	<b>5,845</b>	<b>3,310</b>	<b>2,535</b>	<b>17,874</b>
Buldibuyo	3,812	2,015	1,797	-	-	-	3,812	2,015	1,797	<b>7,624</b>
Chillia	1,1678	5,777	5,901	2,169	1,095	1,074	9,509	4,682	4,827	<b>23,356</b>
Huaylillas	1,158	633	525	-	-	-	1,158	633	525	<b>2,316</b>
Ongón	1,250	658	592	-	-	-	1,250	658	592	<b>2,500</b>
Parcoy	18,730	11,739	6,991	7,810	4,169	3,641	10,920	7,570	3,350	<b>37,460</b>
Pías	1,656	821	835	-	-	-	1,656	821	835	<b>3,312</b>
Cochorco	8,398	4,137	4,261	-	-	-	8,398	4,137	4,261	<b>16,796</b>



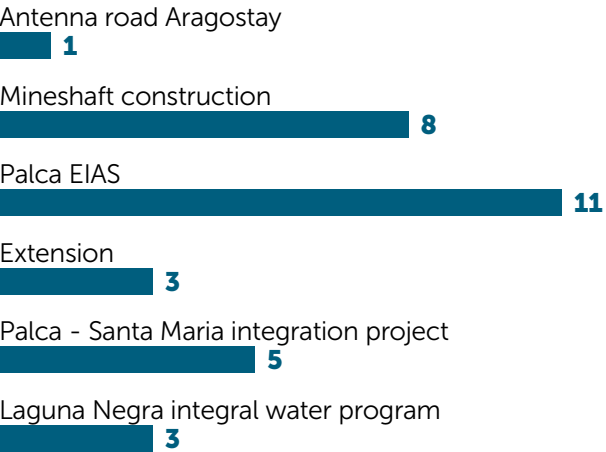
# MANAGEMENT AND ACQUISITION OF REAL AND SURFACE RIGHTS FROM DWELLERS AND OWNERS

The sub process of purchasing surface rights is directly in the hands of the community relations area and is based on a participative negotiation and fair price value, recognition of, and respect to property, possession or easement rights. Through planned scheduling we project purchases and rights of way according to the needs of the operations, whether temporary or permanent. Every acquisition of real and surface rights is carried out in compliance with the negotiation protocol.

By the end of 2019, we have acquired 31 properties, that represent 213 hectares for operations expansion and development.

All the same, we managed to obtain 9,500 hectares of rights of use that will enable to perform land survey and prospection activities in the Nina Urqu, Ariabamba, Ongón, Mamag, and Huacrachucro projects.

## Purchase of land in 2019



## Right of way acquired to perform land survey and exploration activities in 2019







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# MANAGING COMMUNICATIONS WITH NEIGHBORING COMMUNITIES

In order to maintain and disseminate our actions and the community relations program among the community members, we use different communication tools such as the Batolito Comunitario newsletter, collectibles for students, leaflets on health and natural disaster prevention; radio campaigns, and different type of printed messages.

These materials are produced permanently and are efficiently circulated by the local distributors of the Batolito Comunitario (so called “Las Batolitas”, because most of them are women). We have built a committed team, made up by well-known people in the different communities, who act as ambassadors and corresponding agents of Poderosa. Furthermore, this group picks up the topics of interests in each community and villages and they explain and expand the information shared by the company in its newsletter.

“Las Batolitas” receive ongoing training in integration workshops where they exchange experiences; this has enabled improving the contents and the proposal of the Batolito Comunitario, which is the only printed communication means that circulates in the Pataz district.

In 2019, the community was fully informed of the scope of the anti-bribery management system and of the works for taxes mechanism, when the company delivered a modern irrigation system in Chuquitambo.

# HANDLING OF GRIEVANCES AND COMPLAINTS

The objective of our procedure for handling grievances, complaints, and compensation for damages is to maintain and strengthen our relations with the population through the adequate and satisfactory resolution of claims and disputes for property damage.

The dwellers of the communities in the area of influence can submit their complaints in writing directly to the Community Relations area or through the reception desks at the checkpoints; also, if they live too far away from the operation, they can send a picture or a scanned document via WhatsApp or e-mail, and the reception will be confirmed through the same means used.

Every grievance or complaint sent by the community in written or digitally is received and undergoes a protocol for its solution. In 2019 we received three complaints that were taken care of and timely solved through mitigation and compensation measures. We have not had any express conflict for compensatory damages.

## Attention and remediation of damages 2019

Vijus - UP Mara��n	1
Suyubamba - UP Santa Mar��a	1
Pueblo Nuevo - UP Santa Mar��a	1

# COMMUNITY AND LOCAL MANAGEMENT

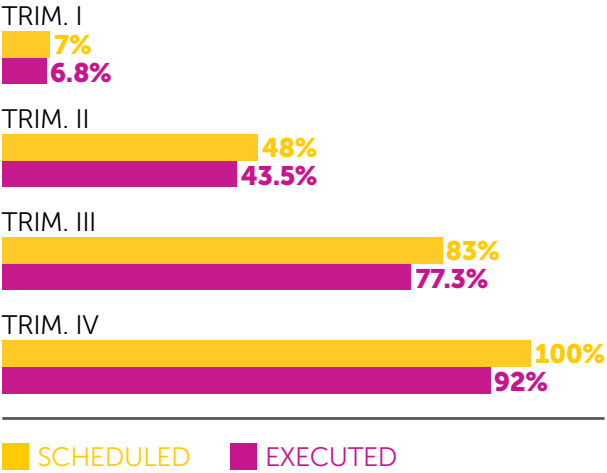
The work with the community is carried out through the CODECOS. They design their development plans for a five-year period with the support of Poderosa. The work with the communities is focused on improvement projects for the community, included in the development plan. Every community in the district has a CODECO, except for Pataz, where we work directly with the district municipality.

The empowerment of the CODECOS has allowed us to execute agreements, during 2019, with different institutions, such as the district municipality and Asociacion Pataz, with which we hold the same level of inter institutional relationships. Likewise, the development of management capacities has made it possible to mobilize resources to implement projects that the communities may be interested in. This year, PEN 2'782,781.33 have been allocated.

We continued to advise the CODECOS. From the total number of CODEDOS, 13 are active, 12 achieved their legal formalization through their registration before the National Public Registry Superintendence (SUNARP) and 5 of them have already obtained their Tax Registry Number (RUC). After several years of limited participation, the Vista Florida CODECO has renewed its board of directors and is about to complete the documentation for its registration before SUNARP.

Training and advice to CODECOS directors and leaders, as well as to the population has built their management capability to develop their communities. In 2019 we had 63 directors, 33 authorities and 53 community members, that is, a total of 149 regularly active participants in trainings on community organization, community project planning, design, and management.

## Total percentage of community development plan implementation on the IV quarter of 2019



During this period, we followed up, provided advice, monitored the progress, and assessed the implementation of the CODECOS community plans, that reached 92% progress with respect to the goals for this year.

Two CODECOS meetings were held. One of them, in June, with the participation of personnel from the National Sanitation Systems Superintendence (SUNASS) and Housing Ministry of La Libertad region. During this meeting, the topics dealt with were water and sanitation, specifically the calculation methodology for the family quota promoted by SUNASS. This event was attended by 62 participants of the different communities. The second meeting was held in December, where the projects for the Asociacion Pataz Funding Contest were presented. It was attended by 62 CODECOS and JASS representatives.

A CODECOS international internship took place as part of the Santa Maria and Mara  n plants operation EIA commitments with the Ministry of Energy and Mines (MINEN). This internship took place in Loja Ecuador, where the participants exchanged experiences for a week, and was



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attended by CODECOS representatives, the majors of Pataz, Huayllillas, Parcoy, and the Pataz provincial major, and by 13 municipal council members and 3 municipal officers. During this internship a framework agreement was signed between the Loja Municipality and the municipalities that participated in the internship to cooperate in the implementation of an integral solid waste management project, based on the Loja experience, considered as one of the cleanest cities in South America.

In 2019 a framework agreement was signed between the CODECOS, the Pataz District Municipality and Asociacion Pataz, to join efforts and carry out coordination and cooperation actions to execute the community projects that win the funding contest, sponsored by Asociacion Pataz. The purpose of this agreement is to develop

and improve the livelihoods of the dwellers and contribute to the integral development of the district. We must also highlight the execution of an agreement between CODECO Socorro and Poderosa, to build their management capacities to develop the community. Meetings have been held with the Chuquitambo and Suyubamba CODECOS, to execute similar agreements, which we hope can be possible in the first quarter of 2020.

In 2019 the CODECOS received technical assistance to present their projects to the 2019 funding contest sponsored by Asociacion Pataz. Ten CODECOS presented their community project profiles. Three of them were selected to receive financing through this Funding Contest.

The winner projects were:



The co-finance contribution for each project shown in the table below, shows the significant participation of CODECOS to mobilize resources.

In 2019, the Socorro CODECO was able to present a water and sanitation improvement project, before the Pataz District Municipality. This project consisted of improving the El Oso and El Arco intakes, improving the channel from Pampa Verde to Socorro, building reservoirs and sewerage systems, for a total approved budget of PEN 1'398,706.87. All the same, the Vijus CODECO, the APAFA and other authorities presented a project to rebuild the restrooms of the schools affected by a landslide. This project was approved by the municipality for a total amount of PEN 1'041,098.33. Both projects are currently being executed.



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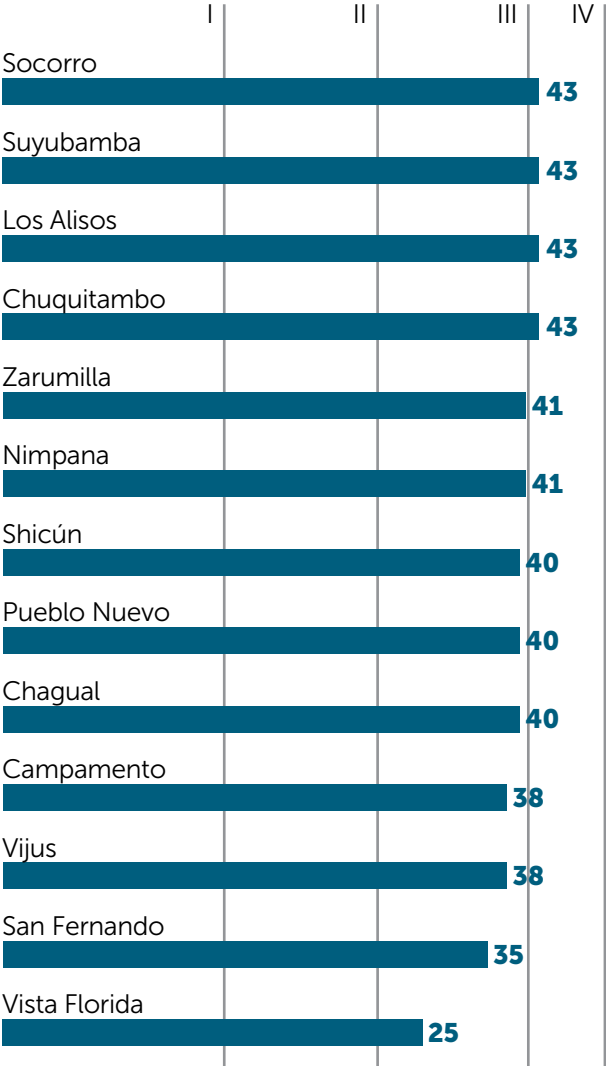
COFINANCE CONTRIBUTION PEN										
N°	CODECOS	PROJECT	COMMUNITY BENEFICIARY	PROJECT OBJECTIVES	CONTEST PROJECT CONTRIBUTION	MUNICIPALITY	BUSINESSES	CODECOS	TOTAL BUDGET (PEN)	
1	Campamento	Improvement of the education system at Pre-school N° 1768- Implementation of the area with psychomotor materials and multiple use room.	56 students 3 teachers 2 helpers	Improve academic, psychomotor, and physical performance of infants.	45,000.00	51,077.26	4,500.00	4,501.49	105,078.75	
2	Zarumilla	Expansion of the drinking water service and improvement of the sewerage system.	164 families 1,148 inhabitants	The population at Zarumilla has sustainable access to quality water and sanitation.	45,000.00	35,985.00	24,060.00	16,145.00	121,190.00	
3	Pueblo Nuevo	Improvement of the education system at School I.E. N° 80800- School Cafeteria.	178 boys and girls 5 teachers	Provide adequate and timely meals, to help improve the academic performance of boys and girls.	45,000.00	34,687.61	27,000.00	9,726.04	116,413.65	
					<b>135,000.00</b>	<b>121,749.87</b>	<b>55,560.00</b>	<b>30,372.53</b>	<b>342,682.40</b>	



Projects under execution

COMMUNITY	PROJECT	FUNDING CONTEST (PODEROSA - AP)	PATAZ DISTRICT MUNICIPALITY	COMMUNITY CONTRIBUTION	LOCAL BUISSNESSES	TOTAL (PEN)
Socorro	Water and sanitation systems improvement and expansion in Socorro and Cedro	-	1,398,706.87	-	-	1,398,706.87
Vijus	Construction of retaining wall, staircases, and sanitary services in school N° 80743 Santo Tomás de Aquino-Vijus	-	1,041,391.46	-	-	1,041,391.46
Zarumilla	Expansion of the drinking water service and improvement of the sewerage system. Zarumillita village Zarumilla community	45,000.00	35,985.00	16,145.00	24,060.00	121,190.00
Pueblo Nuevo	Improvement of the education system at School I.E. N° 80800- School Cafeteria	45,000.00	34,688.00	9,726.00	27,000.00	116,414.00
Campamento	Improvement of the education system at Pre-school N° 1768- Implementation of the area with psychomotor materials and multiple use room	45,000.00	51,077.00	4,502.00	4,500.00	105,079.00
Total Budget PEN		135,000.00	2,561,848.33	30,373.00	55,560.00	2,782,781.33

Empowerment Level of Pataz District CODECOS in the fourth quarter of 2019



The III Meeting of Pataz Local Entrepreneurs was held to promote social responsibility policy with the local entrepreneurs and artisanal miners, for which capacity building programs are fostered to leverage social and economic capital for the Pataz local entrepreneurs. During this meeting they shared the results of the baseline study that identified economic activities other than mining, in the Pataz district.

A representative from SENATI explained the possibility to develop certain technical capacities in the district, with the support of local entrepreneurs to boost the local businesses.







# WATER AND SANITATION MANAGEMENT

The JASS capacity building process has allowed improving the condition of the drinking water systems and water control through micro measurement and payment culture. This enables the JASS to run and maintain their water supply systems to provide adequate services to the population.

19 JASS of the Pataz districts received technical assistance and 75 directors, 39 leaders/authorities and 152 dwellers were trained in management, operation and maintenance, specifically in cleaning and disinfection of the water system, by-laws and regulations, record keeping and cash management, family quota, as well as chlorination and micro measurement.

The 19 JASS have been awarded the acknowledgement resolution by the municipality. During this period, two boards (La Colpa and Vista Florida), have been renewed and have also been legally acknowledged.

Regarding water and sanitation participatory monitoring, two monitoring processes took place this year, the first one in April and May, and the second one between October and November. The tables show the results of these monitoring processes.

As a result of the work carried out by the district municipality, three chlorination systems were implemented and improved (Yalén, Los Alisos and La Colpa), and the Nimpana chlorination system was implemented through a donation made by Podersa. By the end of 2019, 15 water plants have chlorination systems, therefore, the only ones lacking these systems are those in Pataz, Vista Florida and Ciénaga.

With Poderosa funding, water meters were installed in Nimpana houses, as a result of the company's social and environmental commitments. Meters were also installed in Los Alisos, La Ciénaga, La Colpa and Yalén. By the end of the year, 15 water systems have included micro measurement equipment.

As part of the EIA commitments, an internship was carried out for the JASS, with the participation of twenty directors and representatives of the Pataz Municipality, specifically from the Municipal Water and Sanitation technical area. Through this internship, they were able to learn from experiences of water quality handling, healthy houses, and residual water management.

As for the JASS management assessment, out of the 19 JASS, 84% (16) of them perform well, while 16% (3) have a regular performance.

# EVALUATION OF THE DRINKING WATER SYSTEM INFRASTRUCTURE IN THE PATAZ DISTRICT COMMUNITIES 2019

WATER SYSTEM INFRASTRUCTURE AS OF NOVEMBER 2019 (SECOND MONITORING)

Nº	WATER SYSTEM/ COMMUNITY	INTAKE RATING	CONDUCTION LINE RATING	RESERVOIR RATING	DISTRIBUTION NETWORK	HOUSE CONNECTION RATING	DRINKING WATER SYSTEMS RATING
1	Chuquitambo	B	B	B	B	B	B
2	Nimpana	B	B	B	B	B	B
3	Shicún	B	B	B	B	B	B
4	Vijus	B	B	B	R	R	B
5	Chagual	B	B	B	B	B	B
6	Suyubamba	B	B	B	B	B	B
7	Vista Florida	B	B	R	B	R	R
8	San Fernando	B	B	B	B	B	B
9	Campamento	B	B	B	B	B	B
10	Pataz	B	B	B	B	R	B
11	Pueblo Nuevo	B	B	B	B	B	B
12	Los Alisos	B	B	B	B	R	B
13	Zarumilla	B	B	B	B	B	B
14	Socorro	B	B	B	B	B	B
15	Mangalpa	B	B	R	R	B	R
16	Yalen	B	B	B	B	B	B
17	Ciénega	B	B	B	B	R	B
18	Colpa	B	B	B	B	B	B
19	Antapita	B	B	B	B	B	B
	Good	19	19	17	17	14	17
	Regular	0	0	2	2	5	2
	Bad	0	0	0	0	0	0
	Total	19	19	19	19	19	19





Evaluation of The Drinking Water System Flow in the Pataz District Communities

N°	DRINKING WATER SYSTEM/ COMMUNITY	FAMILIES	DRINKING WATER SYSTEM USERS	CURRENT DEMAND (LT/S)	FLOW (LT/S) DEC 2019	FLOW (LT/S) OCT NOV 2019	FLOW (LT/S) OCT NOV 2018
1	Chuquitambo	60	60	0.49	1.06	1.06	1.08
2	Nimpana	122	122	1.10	5.30	5.30	3.57
3	Shicún	64	64	0.69	1.28	1.28	1.60
4	Vijus	600	480	5.42	14.25	14.25	15.46
5	Chagual	99	110	0.89	5.05	5.05	4.04
6	Suyubamba	118	118	0.96	2.77	2.77	3.33
7	Vista Florida	185	165	1.25	2.22	2.22	1.25
8	San Fernando	60	58	0.33	0.62	0.62	0.64
9	Campamento	250	250	3.05	3.50	2.08	2.90
10	Pataz	450	450	5.48	6.85	6.85	7.28
11	Pueblo Nuevo	200	200	1.63	8.95	8.95	6.90
12	Los Alisos	24	20	0.16	1.86	1.86	1.40
13	Zarumilla	160	145	1.52	5.52	5.52	2.43
14	Socorro	130	110	1.41	2.85	1.44	2.67
15	Mangalpa	17	14	0.16	0.54	0.54	0.48
16	Yalen	28	24	0.30	5.73	5.73	5.69
17	Ciénega	60	60	0.41	1.62	1.62	1.45
18	Colpa	15	14	0.10	0.14	0.11	0.11
19	Antapita	39	39	0.26	1.09	1.09	1.13
		2,642	2,464	24.53	71.19	68.33	62.30



EVALUATION OF THE DRINKING WATER SYSTEM QUALITY IN THE PATAZ DISTRICT COMMUNITIES

N°	WATER SYSTEM/ COMMUNITY	BACTERIOLOGIC ANALYSIS RESULT AT HOUSE CONNECTION	PHYSICAL ANALYSIS RESULT	CHEMICAL ANALYSIS RESULT	BACTERIOLOGIC AND PHYSICAL AND CHEMICAL QUALITY, CLASSIFICATION OF THE DRINKING WATER SYSTEM
		CONDITION	CONDITION	CONDITION	
1	Chuquitambo	B	B	B	B
2	Nimpana	B	B	B	B
3	Shicún	B	B	B	B
4	Vijus	B	B	M	M
5	Chagual	B	B	B	B
6	Suyubamba	B	B	B	B
7	Vista Florida	M	B	M	M
8	San Fernando	B	B	B	B
9	Campamento	B	B	M	M
10	Pataz	M	B	M	M
11	Pueblo Nuevo	B	B	B	B
12	Los Alisos	B	B	B	B
13	Zarumilla	B	B	B	B
14	Socorro	B	B	B	B
15	Mangalpa	B	B	B	B
16	Yalen	B	B	B	B
17	Cienega	M	B	B	M
18	Colpa	B	B	B	B
19	Antapita	B	B	B	B

	Good	16	19	15	14
	Regular	0	0	0	0
	Bad	3	0	4	5
	Total	19	19	19	19





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Five water systems do not have good water quality. Four of them show evidence heavy metals, such as iron and arsenic, due to the high mineralization of the land; three systems reveal presence of coliforms, because the lack of chlorination systems.

For the purpose of determining the integral evaluation of the systems, their infrastructure, flow, and water quality assessments are considered. The condition of each system (Good, Regular, or Bad) in each community, considers the following weight: infrastructure 30%, flow 30% and quality 40%.



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



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N°	WATER SYSTEM/ COMMUNITY	INFRASTRUCTURE	FLOW	QUALITY	GENERAL CONDITION
1	Chuquitambo	B	B	B	B
2	Nimpana	B	B	B	B
3	Shicún	B	B	B	B
4	Vijus	B	B	M	B
5	Chagual	B	B	B	B
6	Suyubamba	B	B	B	B
7	Vista Florida	R	B	M	R
8	San Fernando	B	B	B	B
9	Campamento	B	B	M	B
10	Pataz	B	B	M	B
11	Pueblo Nuevo	B	B	B	B
12	Los Alisos	B	B	B	B
13	Zarumilla	B	B	B	B
14	Socorro	B	B	M	B
15	Mangalpa	R	B	B	B
16	Yalen	B	B	B	B
17	Ciénega	B	B	B	B
18	Colpa	B	B	B	B
19	Antapita	B	B	B	B

Good	17	19	14	18
Regular	2	0	0	1
Bad	0	0	5	0
Total	19	19	19	19





# ASOCIACION PATAZ



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

Asociacion Pataz fosters cooperation between the public and private sectors through programs, projects and activities to support the communities and villages in Pataz, Pías, Chilia, Chugay, Tayabamba, Huaylillas, Ongón, Bulbibuyo, Huamachuco, Cochorco, Chugay, Sartimbamba, Curgos, Julcán and Condormarca, which add up to 103 communities. Moreover, it is always looking for domestic and international cooperation allies.

In the 2019 Sustainability Report, prepared according to the Global Reporting Initiative (GRI) guidelines, attached to this document, we publish the projects carried out by Asociacion Pataz. The Report is also available at the following web site

[www.asociacionpataz.org.pe](http://www.asociacionpataz.org.pe)



# FORMALIZATION PROGRAM FOR ARTISANAL MINERS

By the end of 2019, the number of artisanal miners undergoing formalization was 276. With the support of our program, 36 of them managed to become formal between 2018 and 2019.



# ERRADICATION OF CHILD LABOR

We are firmly against child labor. Within the staff hiring conditions for artisanal miners or other services, we demand compliance with our internal labor regulation, which states under paragraph N.º 7 that, in order to work with Poderosa, the candidate must be 18 years old, or older, must have completed 5th grade of secondary education, and must present the following documents: education certificates, certificate of residence, criminal and police records, and, National Identity Document.

Failure to comply with this regulation will automatically result in the cancellation of the contract. Additionally, we permanently supervise, without prior notice, the work carried out by every artisanal miner who holds an operating contract or any other services contract, for it is there where the risk of this happening is greatest.



# WORKS FOR TAXES

The Works for Taxes (Oxl) mechanism gives us the opportunity to contribute to the reduction of the public infrastructure gap, as well as to the sustainability of the communities within our area of influence. The communities in our surrounding area require social impact projects that can directly benefit their inhabitants. Therefore, we work in an organized manner and in coordination with the authorities at the different government levels to foster the development of the district, the province and the region, under the strategic and pragmatic development approach in the education, water and sanitation sectors.

During 2019, the project called Library Park, was started. This is an innovative project in La Libertad region, which will become a reality as a result of the joint work of the Pataz District Municipality and Poderosa. The project will allow hundreds of children and young people in the district of Pataz to have a new space to enjoy reading and improve their educational conditions, thanks to the construction of a modern library. The studies of the rural electrification project in three locations of the Pías districts were also completed, and Hidrandina approved the technical file at the end of December. All the same, the pre investment studies design were started for sanitation works or projects in the Pataz and Tayabamba districts.







PART SIX  
**ANEXXES**





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## ANNEX 1



# DIRECTORS PROFESSIONAL BACKGROUND

— **EVANGELINA ARIAS VARGAS DE SOLOGUREN**, Executive Chair of the Board of Directors with executive functions as per agreement of the Board of Directors, since 2009. She graduated as an architect from Universidad Nacional de Ingenieria (UNI) which, in 2014 awarded her the Doctor Honoris Causa title and in 2013 the School of Architecture of this university granted her the Habich Torch.

Currently, she also chairs the Board of Directors of Asociacion Patatz, she is Chairperson and Member of Sociedad Nacional de Minería, Petróleo y Energía (Peruvian National Mining, Oil and Energy Association–SNMPE), Director of Compañía Minera San Ignacio de Morococha (SIMSA), member of Consejo Empresario Asesor de la Fundación Internacional para La Libertad (Advisory Business Council of the International Foundation for La Libertad - FIL), Director of the Peruvian Mining Engineer Institute (IIMP), member of mining management engineering career advisory board at Universidad Peruana de Ciencias Aplicadas (UPC). Member of the Comité Consultivo del Comité Regional de Empresa, Estado, Academia y Sociedad Civil Organizada (CREEAS), founding Member of Empresarios por la Integridad (ExI), honorary member of Women in Mining (WIM), member of Women Corporate Directors (WCD), member of the advisory committee and honorary member of the Asociación de Mujeres Empresarias del Perú (Peruvian Businesswomen Association - AMEP), member of the Canadian Peruvian Chamber of Commerce mining committee, among other.

She has been Chairperson of the Inter American Mining Society (Sociedad Interamericana de Minería - SIM) (2014-2016), Chairperson of the SNMPE (2013-2015), Director of CONFIEP (2013-2015), Chair of the Mining Sector Committee; Vice Chair of the Peruvian National Mining, Oil and Energy Association (2011-2013); Alternate Director of CONFIEP (2011-2013 and 2015-2017), member of CEAL (2013-2017), among other. Mrs. Evangelina Arias Vargas de Sologuren is a shareholder with representative stock in the company.

— **JOSÉ PICASSO SALINAS**, Official Director since November 2006 and Vice Chairperson of the Board of Directors since April 2009. Businessman, Chairman of the Board of Directors of Volcan Compañía Minera S.A.A., Chairman of the Board of Directors of Reactivos Nacionales S.A., Director of Bodegas Vista Alegre S.A., and Director of Cementos Polpaico S.A. Chile. Director of the Peruvian National Mining, Oil and Energy Association. Member of Consejo Empresarial Chileno Peruano (Chile – Peru Business Council - CEChP). Previously, Mr. Jose Picasso was Vice-president for Embotelladora Latinoamericana S.A.A. (Coca Cola) and was a Director for Compañía Minera Atacocha S.A.A., EXSA S.A., Castrovirreyña Compañía Minera S.A., Corporación Minera Castrovirreyra S.A., Compañía Molinera del Perú S.A., Compañía de Seguros La Fenix Peruana S.A., Lima Stock Exchange S.A., and Accion Comunitaria. Mr. Jose Picasso is married to Mrs. Carolina Arias Vargas, a Director of the company.

— **VICTORIA ISABEL ARIAS VARGAS**, Official Director since 2009. She was also an official director between 1991 and 1995, and alternate director between 2004 and 2009. She holds a licentiate degree in Business Administration by Universidad de Lima, with postgraduate studies in the European Institute of Business Administration (INSEAD), Fontainebleau, France. She has been Commercial Manager and Director of Industrias Alimentarias S.A (INDALSA) and Deputy General Manager of Compañía Minera San Ignacio de Morococha S.A, General Manager of Servicios Pachachaca S.A. and Cleighdan Trading Inc., and Director of Sociedad Minera Gran Bretaña, and ASINDE. Member of the Peruvian National Mining, Oil and Energy Association Advisory Board, Expomina 2018, and Vice Chair of CEDRO board of directors. At present, she is Official Director of Compañía Minera Poderosa S.A., Chairperson of the board of directors of Compañía Minera San Ignacio de Morococha S.A.A., Director of the Club de la Banca y Comercio and Honorary Member of WOMEN CEO Peru, member of the OMA, Amautas

Mineros Consulting Councils. Mrs. Isabel Arias Vargas is a representative shareholder of the company.

— **ANA CAROLINA ARIAS VARGAS**, Official Director since March 2004, she was also an Official Director from 1997 to April 2001. She graduated as an economist from Universidad de Lima, and holds a Master’s degree on Shipping, Trade and Finance by The City University of London; she pursued the Top Management Program “PAD” at Universidad de Piura. Between 1982 and 1999 she was an advisor to the trade management area of Compañía Minera San Ignacio de Morococha S.A. In 2001 she became director of the Peruvian National Mining, Oil and Energy Association. From 2001 to 2006 she was vice chair of the Board of Directors of Compañía Minera San Ignacio de Morococha S.A.

— **JORGE PICASSO SALINAS**, Official Director since 2009. He is a lawyer by the Universidad Católica school of law, and a businessman. He is currently a director of several companies such as Inversiones en Turismo S.A. and Vida Camara Peru S.A. He has been the President of the Peruvian Bank Association and of the Peruvian National Confederation of Private Business Institutions (CONFIEP).

— **JOSÉ DE BERNARDIS CUGLIEVAN**, Official Director since March 1998. He was Executive Director of Poderosa from 2005 to 2007. Industrial Engineer graduated from the Universidad Nacional de Ingeniería with a master’s degree by ESAN and MBA by Texas University. He has been a director of several companies, with broad experience in executive and managerial positions in important companies, such as Cervecería Backus & Johnston, Compañía Nacional de Cerveza S.A., Quimpac S.A., Volcan Compañía Minera S.A.A., Compañía Minera Atacocha S.A.A., and Compañía Minera San Ignacio de Morococha S.A. until 2010. Since August 2019, he is a director of Compañía Minera San Ignacio de Morococha. Mr. De Bernadis is an Independent Director.



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— **JUAN ANTONIO ASSERETO DUHARTE**, Official Director since 2001. He graduated as a Geologist Engineer from Universidad Nacional Mayor de San Marcos, pursued studies in the Top Management Program – PAD at Universidad de Piura and the CEOs Program at Kellogg, North Western University. He is currently an alternate member of the board of directors of Compañía Minera San Ignacio de Morococha S.A., and Vice President of the board of directors of Asociacion Pataz. He is Director-Treasurer of the Silver Board of Peru and chair of the Organizing Committee of the following events: a) National Silver Contest, 23 editions carried out sinc 1997, b) Hispanic American Silver producer meeting, in its eight versions held since 2001. He was recently a member of the Board of Directors of Petroperu S.A. He was formerly Executive Director of Comision de Promocion de la Inversion Privada (Private Investment Promotion Commission–COPRI), Chairman of the Board of Directors and of the Special Privatization Committee (CEPRI) of Centromin Peru, S.A., General Manager and then Chairperson of the Board of Directors and member of the Special Privatization Committee (CEPRI) for Tintaya S.A., Chairperson of the Board of Directors of Perupetro S.A., Director of Refineria La Pampilla, Director of Empresa Electrica de Piura S.A. and Compañía Minera Iscaycruz.

In 1997 he received the Engineer of the Year award from the Sociedad de Ingenieros del Peru (Peruvian Engineers' Association). Mr. Assereto is an independent Director.

— **WALTER EDUARDO SOLOGUREN JORDAN**, Official Director since 2009. He was also an Official Director between 1987 and 1997 and an Alternate Director from 2004 to 2008. He studied Geology at Universidad Nacional de Ingenieria and holds a master's degree in Business Administration by ESAN. He has worked as a geologist consultant, and, as such, in 1977, he visited the province of Pataz to explore prospects for the Arias family, among other

activities. In 1978, when he was Exploration Manager of Agessa, he took part in the construction of the Poderosa Project. In 1984, he assumed the position of Operations Manager of Poderosa and in 1987, he became General Manager. During his office, he was responsible for the growth from 120 to 650 tons per day; he pushed the project for the second plant of 200 t/d and decided the emission of two issues of corporate bonds. He has also been General Manager of other companies of the Arias family as well as of Barrick Misquichilca S.A., where he oversaw the design and commissioning of the Pierina mine and became Manager of Corporate Affairs. He was appointed Executive Director of Compañía Aurifera Real Aventura S.A.C. His work within this industry includes chairing the Peruvian National Association of Mining, Oil and Energy (SNMPE) and has been President and founder of the Gold Committee and the Environmental Affairs Committee. He has been a professor at Universidad Nacional de Ingenieria and Pontificia Universidad Catolica del Peru. In 2000, he was elected Businessman of the Millennium by Universidad Nacional de Ingenieria. Currently, he is General Manager of Compañía Minera Bencasi SA, director of Corporacion Minera Ccoriorcco SAC. He is also a member of the External Consultative Committee at the School of Engineering, Mining Section at Pontificia Universidad Catolica del Peru. He is a member of the Consulting Committee at the SNMPE. Mr. Walter Sologuren is married to Executive Chairperson Evangelina Arias Vargas de Sologuren.

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

La Industria de Chiclayo. He is the company's legal advisor.

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

— **JOSÉ MARÚN SALES**, Official director since 2017. He is a mining engineer, graduated from Universidad Nacional de San Juan, Argentina, with more than 35 years of experience in copper and gold mining operations. He has pursued specialization courses in international business at the London Business School Global Business Consortium. He was General Manager at Xstrata Tintaya, Executive Vice President of Operations for South America at Xstrata Copper, for Peru, Chile and Argentina, where he was responsible for the operations at Tintaya, Antapaccay, Las Bambas, in Peru, Minera Alumbrera, in Argentina, and Lomas Bayas, in Chile, between 2007 and 2013. From 2007 to 2010 he was also a member of the Antamina partners advisory committee. He was Executive General Manager of Operations for Argentina and Chile at Glencore (2013-2015).

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

— **JUAN ANTONIO PROAÑO ARIAS**, Alternate director since 2009. He was an official director between 2001 and 2003, and an alternate director from 2004 to 2007. Mr. Proaño studied Mining Engineering at Universidad Nacional de Ingenieria; Economic Geology at Stanford University, California,

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

— **FERNANDO CANTUARIAS ALFARO** Alternate director since 2009. He was also an official director from 1980 to 1995 and alternate director between 2004 and 2007. He was a founder and senior partner of Estudio Cantuarias, Garrido Lecca y Mulanovich Abogados SCRL law firm which merged with Estudio Rosello law firm. He is currently a consultant for this law firm. He studied at Pontificia Universidad Catolica del Peru and graduated as a lawyer at Universidad Nacional Mayor de San Marcos. He has worked mainly in the private sector as an expert in commercial law, in contract and tax aspects of the mining and industrial sectors, as well as in bids and public tenders. He works abroad as an advisor to domestic and foreign clients on contractual aspects and is an advisor to government entities on bids and tenders. He is a consultant for different business groups and a member of the board of directors of most of the companies he advises. On several occasions he has been invited to be and arbitrator in some of the most important arbitration courts in Lima. From 2006-2007 he was the chief of the advisory board to the



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Minister of Housing and Construction and in 2008 he worked as the chief of the advisory board to the Ministry of Public Health. Currently, he is on a study leave and works full time as an advisor to the Ministry of Foreign Trade and Tourism. Mr. Cantuarias is legal advisor to Poderosa in some specific issues.

— **EDUARDO FERRERO COSTA**, Alternate director since 2007. He is a lawyer and doctor in law by Pontificia Universidad Catolica del Peru. He has been senior partner at Estudio Echecopar Abogados law firm and head of its International area. He is a professor of International Public Law at Pontificia Universidad Catolica del Peru and works as a private consultant in international affairs, arbitration, and corporate matters. He is a Director for several companies.

He is a member of The Hague Permanent Arbitration Court, and President of the Arbitration Center of the Peruvian American Chamber of Commerce. He has acted as Peruvian Minister of Foreign Affairs before the United States of America and the Organization of American States (AOS). He has also been a professor of International Public Law at Universidad del Pacifico, where he was Dean of the Law School. He is the author of several publications on international law. He has acted as Peru's General Attorney in international proceedings, including the case against Chile before the International Court of Justice.

— **RICARDO ELEAZAR REVOREDO LUNA**, Alternate director since 2007. He works as a business consultant and holds a licentiate degree in Business Administration by Universidad Nacional Federico Villarreal in Lima, Peru, with post graduate studies at the Brazilian Institute of Capital Markets (IBMEC), RJ Brazil and specialization studies in finance at ESAN, Lima.

He has been Vice Chairman of the board of directors at the Lima Stock Exchange and at CAVALI ICLV S.A. He is currently a director at the Lima Stock Exchange SAA, Director of Compañia Minera Cungar SAC,

director of Proyectos Medicos S.A., alternate director of Compañia Minera San Ignacio de Morococha SAA and member of the Universidad San Ignacio de Loyola Management and Finance advisory council.

— **RAFAEL PICASSO SALINAS**, Alternate Director since April 2009. He graduated in 1986 as a Lawyer from Pontificia Universidad Catolica del Peru and obtained his title in 1987. He works with Estudio Echecopar Law firm since 1990 where he is a partner since 2004. He is the Chairman of the board of directors of INVERTUR, Director of Reactivos Nacionales S.A. (RENASA), Director of Granja Azul S.A., and Chairman of the board of directors of AFP Habitat. He is also a professor of the Corporate Law Seminar at Universidad de Lima School of Law.

— **CAROLINA MARÍA CASTRO QUIRÓS**, Alternate director since 2012. She studied at Universidad de Lima School of Law and Political Sciences where she graduated as a lawyer. She is a partner at Estudio Rosello law firm in the Corporate and finance law area. She is an alternate director of Compañia Minera San Ignacio de Morococha SAA. She has broad experience in business and financial structure, including corporate, trade and civil law areas.

— **CARLOS ARANDA ARCE** Alternate Director since 2017. He holds a master's degree in Biologic Sciences, and graduated from Universidad de Puerto Rico, Recinto de Rio Piedras. He is Technical Services Manager at Southern Peru Copper Corporation, Peru branch. He is a member of The Extractive Industries Transparency Initiative (EITI) International Board of Directors and official mining company representative before the EITI Peru Permanent Multisector National Committee. Chair and director of the Instituto de Estudios Energetico Mineros (IDEM). SNMPE advisor of the Peruvian Delegation before the International Maritime Organization (IMO). He is Vice chair of Citizen Participation before the Consejo de Cooperacion con la Direccion Ejecutiva de Turismo de la Policia Nacional del Peru (Cooperation Council

with the National Police Tourism Executive Board). He was director of the SNMPE between 1998 and 2001. Between 1995 and 2016 he chaired the SNMPE Environment Issues Committee. In 2008 he was invited to be part of the working team that drafted the Law to create the Ministry of the Environment and was later member of the Advisory Board of this Ministry until 2012. He was a member of the Board of Directors of Fondo de Promocion de las Areas Naturales Protegidas del Peru (Peruvian Natural Protected Areas Trust -PROFONANPE) between 2009 and 2013 representing CONFIEP. Between 2009 and 2011, he was Chair of the AmCham Sustainable Development Committee.

— **LUIS CARLOS MARCHESE MONTENEGRO**, mining engineer by PUCP. He holds a Master's degree in Mineral Economics by the Pennsylvania

State University. He has attended the AMP at GIBS University of Pretoria, and the ASMP at Cambridge and Queensland universities.

He has more than 24 years of experience in mining operations and projects, especially in Perú, Chile and Canadá. In the past 12 years, he has held different positions such as General Manager of Quellaveco (Moquegua) and Michiquillay (Cajamarca) projects, Country Manager of AngloAmerican in Peru and advisor to the CEO.

Director and former President of the SNMPE (from 2017 to 2018), alternate director of Confiep, member of Universidad del Pacifico CEMS advisory committee and member of Glase IDB.del consejo consultivo del CEMS de la Universidad del Pacífico. Miembro del Glase-BID.



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## ANNEX 2



# OFFICERS PROFESSIONAL BACKGROUND

— **RUSSELL MARCELO SANTILLANA SALAS**, General Manager of Compañía Minera Poderosa S.A. He graduated in 1973 as a Mining Engineer from Universidad Nacional de Ingeniería and holds Colegio de Ingenieros del Peru –CIP, registry number 16431. He has worked for 45 years in different mining companies such as Compañía Minera La Virreyna S.A., San Ignacio de Morococha S. A. (SIMSA) and Compañía Minera Milpo S.A. Before joining Poderosa, he worked as General Superintendent of Sociedad Anonima Minera Regina S.A. He has worked for 34 years with Compañía Minera Poderosa S.A., which he joined in 1986 as Operations Deputy Manager. In 1988 he was promoted to Operations Manager and in December 2001 he was appointed General Manager. Since 2005, he is the company's representative before the Stock Exchange. He has pursued post graduate courses at ESAN and Universidad de Lima. He was part time professor at Universidad Nacional de Ingeniería, responsible for the Projects and Reporting course. He has participated and has been a speaker in several specialized mining congresses and has visited several mines in Peru and abroad.

He was a member of the Peruvian Association of Engineers, Mining Chapter Governing Board. Former Chair of the Instituto de Seguridad Minera (Mining Safety and Security Institute – ISEM) where he is currently a Director. Currently, he is a member of the Peruvian National Mining, Oil and Energy Association Governing Board and member of Mining Sector Committee of said institution. He is a Member of the Board of Directors of the Peruvian Mining Engineers Institute, for the period 2016-2018. As a recognition to his outstanding professional career, in June 2018, the Peruvian Engineer Association awarded him the “Medalla Consejo Departamental de Lima”. In September 2018, KPMG Perú and Semana Economica recognized him as the “Most Profitable CEO in 2018”, awarding him the first place in the mining category. In October 2019 he was recognized as the most profitable CEO in Peru and, the most profitable CEO in the mining industry, for second consecutive year.

— **DANIEL TORRES ESPINOZA**, Operations Manager since January 2, 2017. Mining Engineer graduated from Universidad Nacional de Ingeniería, ranking first in his class. He then pursued a Quick MBA at GERENS. He has 29 years of experience in underground, gold, tin, and polymetallic mining. Between 2014 and 2017 he worked as Operations Manager for Minsur S.A. Unidad San Rafael (Breca Grupo Empresarial Mining Division). Between 2011 and 2014 he was Operations Manager at Andaychagua,

San Cristobal and Operations Manager for Unidad Yauli (interim) from Volcan Compañía Minera. Before that, from 2004 to 2011 2011, he worked as Planning Superintendent for Unidad Yauli and for Empresa Administradora Chungar property of Volcan Compañía Minera. From 2000 to 2004 he worked as Mining and Planning Superintendent at Compañía Minera Huaron, property of Pan American Silver. Before 2000, he was Mine Project and Planning Head at Empresa Minera Yauliyacu (now, Quenuales) property of Glencore, and in Centromin Peru as Area Chief, Section Chief, and Guard Chief. It must be mentioned that engineer Torres started his career as Mine Planning Assistant in Compañía Minera Poderosa. He has also been guest speaker at the XX Peruvian Mining Engineers Convention held in Arequipa.

— **WALTER DÍAZ MEYZAN**, Head of the Integrated Management and Social Responsibility System since 2018. He graduated as an industrial engineer in 1993 from Universidad de Lima. He pursued post graduate studies, holds an MBA by Universidad del Pacifico and an Executive Master's degree in Comprehensive Quality Management, Environment and Labor Risk Management by Escuela de Negocios de Madrid (EOI). He has 29 years of experience. From 2005 to 2010 he worked for Glencore – Xstrata, Swiss as Deputy Operations Manager, in Perubar (2005–2007), and was Quality, Safety and Security and Environmental Comprehensive Management System Corporate Coordinator (2007–2010). Between 2010 and 2017 he was Quality Management Manager (Safety and Security and Environment) at Corporacion Aceros Arequipa.

— **JOSÉ ANTONIO ELEJALDE NOYA**, Management, Finances and Trade Manager. Economist graduated from Universidad de Lima. He holds an MBA from Incae Business School and Universidad Adolfo Ibañez. He has participated in several specialization programs at Universidad de Piura, ESAN, Chicago University, Harvard University, Kellogg University, INCAE and AOTS, Japan. He holds a Comprehensive

Ontological Coach certificate. Since July 2003, he works as Management, Finance and Trade Manager at Compañía Minera Poderosa and General Manager at Compañía Aurifera Suyubamba S.A., related to Poderosa until August 2011. He worked as Sales and Marketing Manager for Volvo Finance Peru S.A., a company of the Volvo Group which he worked with for 11 years.

— **FAUSTO CUEVA CASTILLO**, Geology and Explorations Manager at Compañía Minera Poderosa S.A. He graduated as Geology Engineer from Universidad Nacional de Ingeniería, in 1987 and holds registry number 34903 in the Peruvian Engineer Association. He has worked for 36 years as Explorations Geologist, for Compañía Minera Pativilca during copper explorations in the Mala district in Lima. He also worked as a High School teacher in Colegio La Inmaculada Concepcion Pataz district, where he was born. Before joining Poderosa, he carried out geology surveys in Suyubamba as an independent geologist. He has worked for Compañía Minera Poderosa for 35 years, since 1985, when he joined the Universidad Heidelberg PHD student team to carry out the Pataz Batholit Metalogenetic Study. In 1986 he started working as Section Geologist in Papagayo. In 1987 he is awarded the Geologist Engineer degree with the thesis titled “Economic Geology of the Pataz District”. In 1991 he is appointed as Geology Superintendent in Poderosa. In 1989 he carried out a guided visit to several industrial plants and mines in Sudbury, Canada, and in the same year he attended the World Gold Congress in Reno, after which he visited two of Newmont's gold mines in Nevada – U.S.A. In 1996 he participated in a guided visit organized by SONAMINPET to several mines and projects in the Nevada belt, U.S.A. In 2002, through an agreement with the School of Geology, University of Quebec, in Chicoutimi, he takes part in a guided tour to 9 gold mines in the Abitibi belt, in Valdor, Canada. In the same year he visited the Tech Cominco POGO gold project in Alaska – U.S.A. In 2004 he takes part on a guided tour to 4 gold mines in Harmony, South Africa. In 2006 he studied a course in Total Quality in Yokohama – Japan, called



Latin American Quality Management. In 2009 he takes part in the assessment team to observe the application of an Ore Sorter in Poderosa, which took place in Hamburg, Germany. He has participated in several courses and important mine related events as an assistant and a speaker.

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**HELENA ZUAZO ARNAO**, Institutional Head of the Legal Department, she graduated from Universidad de Lima in 1986 and completed a Master’s degree in Mining Law at Universidad Peruana de Ciencias Aplicadas (UPC). She has participated in several specialized mining, environmental and business law programs at ESAN, UPC, and Pontificia Universidad Católica del Perú. She worked for 8 years as Chief of the Legal Area of Sociedad Minera Austria Duvaz S.A.C., and since April 2015 she acts as Institutional Head of the Legal Department of Poderosa.

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**IVÁN ASMAT SALAZAR**, Public Accountant, graduated from Universidad Nacional de Trujillo, with 21 years of experience in the mining industry. He pursued post graduate studies at ESAN in the High Specialization Program in International Financial Reporting Standards, Financial Accountability Management, and Advanced Accountability Management. All the same, he pursued studies at Peruvian National Mining, Oil and Energy Association– SNMPE with specialization in Taxation and International Financial Reporting Standards, and Leadership Management studies at Universidad INCAE, Costa Rica. He also holds a master’s degree in Auditing by Universidad del Pacífico.



ANNEX 3



PERMITS, APPROVALS AND AUTHORIZATIONS

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Beneficiation concession	Marañon beneficiation concession deed, installed on 6 ha, Marañon plant	RD N° 313-90-EM-DGM/DCM	05/09/1990
		Authorization for the expansion of the Marañon beneficiation concession 269.09 ha and operation of the Livias filtered tailings deposit.	RD N° 1315-2015-MEM-DGM	08/17/2015
	Marañon Beneficiation plant	Authorization for the operation of the Marañon beneficiation plant to 700 MTD capacity	RD N° 028-2011-MEM-DGM-V	01/24/2011
		Construction permit for the chemical refinery to implement the recovery process technological improvement	R N° 399-2013-MEM-DGM-V	10/17/2013
		Construction permit for the expansion of Marañon Plant treatment capacity from 700 DMTD to 800 DMTD	RD N° 0851-2016-MEM-DGM	12/31/2016
		Communication about sifter replacement in the grinding process, Marañon Plant	R N° 1118-2017-MEM-DGM/V	11/29/2017
		Communication about equipment replacement as a result of technological improvement in the collection belts and special mineral transfer system -Marañon plant.	R N° 0511-2019-MINEM-DGM-V	06/19/2019



PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Beneficiation plant	Communication about equipment replacement due to Technological Enhancement of the Smelting Process in the Marañon Beneficiation Plant to 800 TDM	R 0065-2018-MEM-DGM-V	02/01/2018
		Communication about equipment replacement due to Technological Enhancement of the Milling process (replacement molino 8x10 por 9.5x12 y 6x6 por 8x10) Marañon Beneficiation Plant to 800 TDM	R 0605-2018-MEM-DGM/V	07/11/2018
	Tailings ponds	Operation authorization for the Marañon plant tailings pond N°6 up to level 1,270 m.a.s.l.	AD N° 224-2003-MEM-DGM/PDM	11/07/2003
		Operation authorization for the Asnapampa tailings pond up to a 1200 m.a.s.l. maximum level	RD N° 993-2009-MEM-DGM-V	12/21/2009
		Technical Mining Report ITM por the construction and operation of the Asnapampa expansion from level 1200 to 1204 m.a.s.l.	R N° 0403-2015-MEM-DGM/V	09/10/2015
		Operation authorization for the Quebrada Livas filtered tailings pond, level 1504 m.a.s.l. 1st Stage	R N°0360-2015-MEM-DGM/V	08/17/2015
		Operation authorization for the Quebrada Livas filtered tailings pond, level 1504 m.a.s.l. 2nd Stage	R N° 0008-2017-MEM-DGM/V	01/10/2017
		Operation authorization for the Livas tailings pond – Sulphur tailings pond	R 0170-2018-MEM-DGM-V	02/22/2018
	Dumpsters	Authorization for “Estrella 2” and “Estrella 3” dumpster construction	RD N° 0086-2015-MEM-DGM	03/30/2015
		Operation authorization for “Estrella 2” dumpster	R N° 0359-2016-MEM-DGM/V	06/30/2016
		Operation authorization for “Estrella 3” dumpster	R N° 1043-2017-MEM-DGM/V	08/12/2017
	Water use	License for 10 l/s water use from the Chorro Blanco and el Oso gorge for the Marañon Plant, camp sites and Vijus village	RA N° 319-2009-ANA-ALA	09/17/2009
		400-liter water use license from the El Tingo gorge, to generate energy for mining and metallurgic purposes	RD N° 0062-91-AG.DGAS	08/05/1991
		Surface water use license from Lavasen river for mining purposes	RD N° 1451-2014-ANA-AAA.M	12/31/2014
	Residual water reuse and discharge	Authorization for reuse of the water from the compact residual domestic water plant at Paraiso II	RD N° 298-2019-ANA-AAA-M	04/23/2019

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Residual water reuse and discharge	Authorization for reuse of domestic residual water treated at Paraiso camp	RD N° 577-2019-ANA-AAA.M	08/20/2019
		Renewal of the Authorization for the disposal of industrial residual water treated at Estrella mineshaft Level 1467. B Marañon tailings pond E and Vijus domestic residual water treatment plant	RD N° 160-2016-ANA-DGCRH	07/12/2016
		Reuse of wastewater from PTARD Vijus for irrigation	RD N° 1791-2017-ANA-AAA-M	08/17/2017
		Sanitary Authorization for a septic tank and infiltration in the Papagayo field – septic tank	RD N° 1722-2017-DCEA-DIGESA-SA	06/27/2017
		Sanitary Authorization for a septic tank and infiltration in the loading chamber field	RD N° 0752-2017-DCEA-DIGESA-SA	05/02/2017
		Sanitary Authorization for a septic tank and infiltration in the LPC field	RD N° 0828-2017-DCEA-DIGESA-SA	05/04/2017
		File to authorize the reuse of the Vijus compact domestic residual water treatment plant effluents	RD N° 1791-2017-ANA-AAA.M	08/07/2017
		Sanitary Authorization for a septic tank and infiltration in the Trocha field – septic well	RD N° 1725-2017-DCEA-DIGESA-SA	06/27/2017
	Energy generation	Authorization for 6.915 Mw electric power generation activities at A. Samaniego Alcantara thermal power station.	RG N° 0108-2012-GR/GEMH-LL	08/17/2012
		Authorization for 1.05 Mw electric power generation activities at Santa Maria thermal power station.	RM N° 034-94-EM/DGE	06/20/1994
		Authorization for electric power generation at El Tingo.	RM N° 099-94-EM/DGE	08/06/1994
	Power transmission	EIA of the 60 kv Santa Monica substation (Cajabamba)- Morena substation (Pataz) power transmission line	RD N° 208-2004-MEM/AAE	11/28/2004
		Final concession for the 60 kv Cajabamba - Morena power transmission line	RS N° 042-2005-EM	07/14/2005
	Direct LPG Consumer and liquid fuel	Registry of Poderosa Mining Unit as a consumer of liquid fuels	Registro N° 1281-051-040619	06/04/2019
		Operation authorization for the bulk LPG facility for direct consumer at Paraiso camp site.	RG N° 13171-2014-OS/OMR III	10/04/2014
		Operation authorization for the bulk LPG facility for direct consumer at Vijus camp site.	RG N° 13168-2014-OS/OMR III	10/04/2014



PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Direct LPG Consumer and liquid fuel	Operation Authorization for the bulk LPG facility for direct consumer at Paraiso I camp site.	RG N° 13166-2014-OS/OMR III	10/04/2014
	Explosives	Main type A powder magazine for blasting accessories at level 2,450-blasting accessories	RD N° 03134 2019-SUCAMEC-GEPP	11/27/2019
		Main type A powder magazine for blasting accessories at level 2,450-explosives RD N° 03136-	RD N° 03136-2019-SUCAMEC-GEPP	11/27/2019
		Main type A powder magazine for blasting accessories at level 2,450-anfo	RD N° 03137-2019-SUCAMEC-GEPP	11/27/2019
		Authorization for a storage facility for blasting accessories at Papagayo	RD N° 1566-2015-SUCAMEC-GEPP	07/21/2015
		COM 2019 UEA La Poderosa, Trujillo	COM 106-2018-C	12/10/2018
		Authorization for a storage and use of explosives and related materials 2019 UEA La Poderosa, Trujillo	RD N° 296-2019-SUCAMEC-GEPP	01/28/2019
	Environmental instruments	Approval of the Environmental Adjustment and Management Program (PAMA) execution for the Marañon Production Unit.	RD N° 028-2003-EM/DGM	01/27/2003
		Approval of the EIA for Asnapampa tailings deposits Project	RD N° 022-2006-MEM/AAM	01/20/2006
		Supporting Technical Report (ITS) approval for the disposal of filtered tailings at Asnapampa-ITS Asnapampa tailings pond	RD N° 148-2014-MEM-DGAAM	03/26/2014
		Approval of the EIA for the Expansion of the Mining Operations and Beneficiation Plant to 800 MTD	RD N° 450-2014-MEM-AAM	09/01/2014
		Approval of the Expansion of the Asnapampa Tailings Dam at 1204 m.a.s.l. - ITS Marañon to 800 MTD.	RD N° 236-2014-MEM-DGAAM	12/31/2014
		ITS approval for the drying ponds of tailings pond N 6, PTARD Vijus and other components	RD N° 461-2015-MEM-DGAAM	11/26/2015
		Environmental Impact Statement LT 25 KV S.E LPC (Morena) to C.T. A. Samaniego	RGR N° 085-2017-GRLL-GGR/GREMH	09/17/2017
		Soil EQS Marañon Production Unit	RD 294-2017-MEM-DGAAM	10/12/2017
		Terms of Reference and Preliminary Assessment for the EIA modification for the expansion of the mining operations and concession of Marañon beneficiation to 800 MTD	RD N 113-2017-SENACE/DCA	05/08/2017
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan Schedule and Budget update	RD N 102-2018-MEM-DGAAM	05/17/2018
	Exploration	Environmental Impact Statement Exploration La Lima	RD 039-2019-MEM-DGAAM	03/12/2019

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
MARAÑON	Exploration	Authorization to start mining exploration activities at La Lima, automatic approval certificate	Constancia de aprobación automática 0009-2019-DGM	07/02/2019
	Use of gorge water sides	Authorization for infrastructure construction on water source La Brava gorge, Transportation of waste rock from dumpster 2080 to Estrella 2 dumpster	RD N°2786-2017-ANA.AAA.M	12/06/2017
		Authorization for infrastructure construction on water source. El Tingo. Transportation of waste rock from Karola dumpster to Estrella 2 dumpster	RD N°2785-2017-ANA.AAA.M	12/05/2017
SANTA MARIA	Benefit concession	Approval of the concession title for the expansion of the Santa Maria I benefit concession to 21.60 ha.	RD N° 171-2010-MEM/DGM	09/08/2010
		Expansion of the Santa Maria I benefit concession to 399.39 ha and operation authorization for Hualanca – Stage I tailings deposit.	RD N° 260-2016-MEM-DGM	09/26/2016
	Santa Maria I beneficiation plant I	Operation Authorization for the Santa Maria I Beneficiation Plant to 600 TMD. Stage II.	R N° 0370-2016-MEM-DGM-V	07/05/2016
		Installation of additional equipment in the crushing, grinding and liquid separation circuits at Santa Maria Plant.	R N°0178-2015-MEM-DGM/V	05/08/2015
		Communication of Press Filter installation in the tailings filtering circuit at Santa Maria Plant.	R N°0428-2017-MEM-DGM/V	05/15/2017
		Communication of replacement of the secondary crusher due to obsolescence and efficiency	Informe 214-20178-MEM-DGM-DTM-PB	07/18/2018
		Authorization for the construction of the Santa Maria I beneficiation plant to 1000 TMD.	R N° 0542-2018-MEM-DGM/V	06/15/2018
		Operation Authorization for the Santa Maria I Beneficiation Plant to 1,000 TMD, stage 1-crushing	R N° 0591-2019-MINEM-DGM	12/09/2019
		Authorization for the operation of the expansion of the "Santa Maria I" tailings pond at 2,464.5 m.a.s.l.	RD N°1071-2009-MEM-DGM/V	12/30/2009
	Tailings ponds	Operation Authorization of the Santa Maria tailings pond 2, up to level 2,412 m.a.s.l.	R N° 0140-2015-MEM-DGM-V	04/13/2015
		Technical Mining Report (ITM) for the construction and operation of the filtered tailings plant and disposal of tailings in Santa Maria 2 tailings pond at 2415 m.a.s.l.	RD N° 0319-2015-EM-DGM/V	07/27/2015



PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
SANTA MARIA	Tailings	Approval for the construction of filtered tailings pond in Hualanga to a maximum level of 1490 m.a.s.l.	RD N° 0120-2015-MEM-DGM-V	04/06/2015
		Operation Authorization for the filtering tailings pond in Hualanga to a maximum level of 1360 m.a.s.l.	R N°0582-2016-MEM-DGM/V	11/26/2016
		Operation Authorization of the Santa Maria 2 tailings pond. Stage II. Phase 3. 2412 – Modification of the Operation Manual	Informe 349-2018-MEM-DGM-DTM-PB	12/18/2018
	Water use	Administrative Authorization for 7 l/sec water use for domestic purposes from Frances gorge.	RA N° 187-96-DRA-LL-AASC/ATDRH	12/19/1996
		1.20 l/s superficial water use permit for mining purposes from Marleny	RD N°352-2014-ANA-AAA.M 9-04-2014	04/09/2014
		Water use license from Virginia for mining purposes	RD N° 1169-2016-ANA-AAA.M	09/06/2016
		Water use license from Santa Maria gorge for mining purposes	RD N° 1172-2016-ANA-AAA.M	09/06/2016
		Water use license from Puquiopata gorge for mining purposes	RD N° 1192-2016-ANA-AAA.M	09/06/2016
	Residual water reuse and discharge	Authorization for Industrial Residual Water disposal, Consuelo, Atahualpa, and Santa Maria mines	DR N° 281-2016-ANA-DGCRH	11/24/2016
		Authorization for NV 2120 effluent disposal	RD N 134-2018-ANA-DCERH	08/23/2018
		Authorization for reuse of domestic residual water for irrigation from the Santa Maria Residual Water Treatment Plant.	RD N°1809-2017-ANA-AAA.M	08/28/2017
		Septic tanks in camp at level 2,410	RD 2552-2019/DCEA/DIGESA/SA	04/14/2019
		Septic tanks in camp at level 2,520	RD 2550-2019/DCEA/DIGESA/SA	04/14/2019
		Septic tanks in camp at level 2,670	RD 2553-2019/DCEA/DIGESA/SA	04/14/2019
	Direct LPG consumer	Authorization for the bulk LPG facility for direct consumer at Cedro camp site.	RG N° 13167-2014-OS/OMR III	10/04/2014
		Authorization for the bulk LPG facility for direct consumer at Santa Maria camp site.	RG N° 13169-2014-OS/OMR III	10/04/2014

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
SANTA MARIA	Explosives	Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa blasting accessories	RG N° 00633-2019-SUCAMEC-GEPP	02/28/2019
		Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa anfo	RG N° 00634-2019-SUCAMEC-GEPP	02/28/2019
		Main type A powder magazine for blasting accessories at level 2,520 Maria Rosa RG explosives	RG N° 00632-2019-SUCAMEC-GEPP	02/28/2019
		COM 2019 UEA Libertad	COM 104-2018-C	12/10/2018
		Authorization for purchase and use of explosives and related materials 2019 UEA Libertad.	RD N° 297-2019-SUCAMEC-GEPP	01/28/2019
	Landfill	Technical mining report for the modification of the Santa Maria I beneficiation concession to 33.03 Ha and construction and operation permit for the domestic and industrial landfill at Cedro.	RD N° 1781-2015-MEM/DGM	09/30/2015
	Environmental instruments	EIA Modification for mining activities and expansion of the Santa Maria I beneficiation plant to 1000 TMD. Filtering and other components.	RD 011-2017-SENACE-JEF-DEAR	11/28/2017
		Detailed Technical Memoir of the Santa Maria 2410, 2520, 2670 Camps. (Order 2504589 dated 06-09-2015).	RD 278-2017-MEM-DGAM	10/03/2017
		First ITS for Santa Maria mining unit (new components and modification)	RD 00077-2019-SENACE-PE-DEAR.2	05/07/2019
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan Schedule and Budget update.	RD N° 102-2018-MEM-DGAAM	05/17/2018
	Palca	EIA Palca Explorations Project.	RD N° 0035-2016-MEM-DGAAM	01/29/2016
		10 l/s water use license for non-agricultural use from the El Carrizal gorge, for non-mining activities at Suyubamba	RA N° 007-01-DRA-LL-AASC/ATDRH	01/12/2001
		Water use license from Carrizal gorge and Laguna Negra with mining purposes for Palca Project	RD N° 1165-2018-ANA-AAA-M	09/03/2018
		Authorization to start exploration activities	RD N° 167-2017-MEM-DGM	02/07/2017
		CIRA 2016-073-DDC-CIB/MC	CIRA SUYUBAMBA-PALCA	04/07/2016



PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Palca		Certificate of Absence of Archaeologic Remains (CIRA) 2016-073-DDC-LIB/MC	CIRA LT 22 KV PAMPARACRA-SUYUBAMBA	10/25/2016
Montañitas		0.10 l/s water use authorization - Montañitas Project.	RD 784-2017-ANA-AAA-Huallaga	11/02/2017
		Authorization to start exploration activities at Montañitas project.	RD N° 1782-2015-MEM/DGM	10/05/2015
		Start of exploration operations stage II (platforms 1-7 y 15-17) - Automatic approval certificate	Constancia de aprobación automática 0003-2019-DGM	03/12/2019
Misquichilca		DIA approval for Misquichilca exploration activities	R N° 278-2012-MEM_AAM	09/03/2012
		Authorization for start of exploration at Misquichilca.	RD N° 107-2013-MEM-DGM	04/22/2013
Lavasen energy		Studies for electric power generation in Quishuar, Lavasen, Nimpana, Cativen and Piñuto cascades.	RM N° 144-2008-MEM_DM	03/14/2008
		Hydro energy use of the Lavasen and Lavasen and Quishuar for Cativen I and Cativen II hydroelectric power stations.	RD N° 188-2011-MEM_AAM	06/20/2011
		Hydrologic and water use study for non-mining purposes from Lavasen Paraiso basins	RD N° 0250-2011-ANA-AAA VI MARAÑÓN	10/26/2011
		Hydrologic study as part of the water use from Lavasen and Quishuar basins.	RD N° 0316-2010-ANA-DARH	10/01/2010
		Final concession for energy generation.	RS N° 109-2012-EM	11/13/2012
Airdrome		Chagual – La Libertad Airdrome operation authorization.	R.D. N°894-2019-MTC-12	11/14/2019







PART SEVEN

# FINANCIAL STATEMENT





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# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Compañía Minera Poderosa S.A., which comprise the separate statement of financial position as of December 31, 2019 and 2018, and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Caipón y Asociados S.Ciudad de Lima, es miembro del sistema de responsabilidad limitada y forma parte del grupo de firmas miembro independiente de KPMG, afiliadas a KPMG International Cooperative ("KPMG International") con sede en Suiza.

En Perú, en la persona de Juan Carlos Mejía (Partner) Registrado en el Registro de Peruvian CPA Registration 01-25635.



### Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Compañía Minera Poderosa S.A. as of December 31, 2019 and 2018, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended, in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

### Emphasis of Matter

We draw attention to Note 2.D to the financial statements, which describes that functional and presentation currency of the Company is Soles, the procedure follow by Company in order to translated the financial statements for the year ended December 31, 2019 and 2018 from Soles into US dollars and the purpose of the financial statements in US dollars in compliance with IFRS. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified related to these matters.

### Other Matters

1. The separated financial statements of Compañía Minera Poderosa S.A. in soles (functional and presentation currency) as of December 31, 2019 and 2018 have been prepared and presented separately; and in our report, dated January 31, 2020, we expressed an unqualified opinion on those financial statements.
2. The consolidated financial statements of Compañía Minera Poderosa S.A. and its subsidiaries as of December 31, 2019 and 2018, have been prepared and presented separately; and in our report, dated January 31, 2020, we expressed an unqualified opinion on those financial statements. The accompanying separate financial statements have been prepared in compliance with existing regulations in Peru for the presentation of financial reporting and reflect the value of investments in subsidiaries using the cost model.

Lima, Peru

January 31, 2020

*Caipón y Asociados*

Countersigned by:

Juan Carlos Mejía (Partner)  
Peruvian CPA Registration 01-25635

Compañía Minera Poderosa S.A.  
Separate Statement of Financial Position  
As of December 31, 2019 and 2018

In thousands of U.S. dollars		In thousands of U.S. dollars	
Assets	Note	2019	2018
<b>Current assets</b>			
Cash and cash equivalents	6	35,825	30,087
Trade accounts receivable	7	2,901	1,903
Other accounts receivable	8	7,150	10,834
Inventories	9	13,371	11,118
Prepaid expenses	10	4,896	2,910
<b>Total current assets</b>		<b>64,143</b>	<b>56,852</b>
<b>Non-current assets</b>			
Investments in subsidiaries and associates	11	7,676	871
Prepaid expenses	10	7,022	3,555
Property, plant and equipment	12	167,422	157,901
Right-of-use assets	13	12,296	-
Intangible assets	14	160,644	130,321
<b>Total non-current assets</b>		<b>355,060</b>	<b>292,648</b>
<b>Total assets</b>		<b>419,203</b>	<b>349,500</b>
Liabilities		2019	
<b>Current liabilities</b>		2018	
Trade accounts payable	15	21,399	20,838
Other accounts payable	16	23,319	20,432
Other financial liabilities	17	24,879	26,764
Lease liabilities	13	4,559	-
Employee benefits	18	11,460	8,788
Provisions	19	768	917
Hedging instruments	21	870	83
Current portion of provision for environmental rehabilitation	20	937	937
<b>Total current liabilities</b>		<b>88,191</b>	<b>78,759</b>
<b>Non-current liabilities</b>			
Other accounts payable	16	355	1,382
Other financial liabilities	17	14,364	19,765
Lease liabilities	13	3,241	-
Provision for environmental rehabilitation	20	7,935	8,161
Deferred tax liabilities	22	13,616	9,883
<b>Total non-current liabilities</b>		<b>39,511</b>	<b>39,191</b>
<b>Total liabilities</b>		<b>127,702</b>	<b>117,950</b>
Equity			
Issued capital	23	109,436	63,924
Other capital reserves	24	21,887	12,785
Retained earnings	25	160,178	154,841
<b>Total equity</b>		<b>291,501</b>	<b>231,550</b>
<b>Total liabilities and equity</b>		<b>419,203</b>	<b>349,500</b>

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

Compañía Minera Poderosa S.A.

Separate Statement of Profit or Loss and Other Comprehensive Income  
For the years ended December 31, 2019 and 2018

In thousands of U.S. dollars	Note	2019	2018
Revenue	28	434,524	352,824
Cost of sales	29	(259,825)	(218,379)
<b>Gross profit</b>		<b>174,699</b>	<b>134,445</b>
<b>Operating income (expenses)</b>			
Selling expenses	30	(1,090)	(968)
Administrative expenses	31	(34,789)	(28,839)
Other operating income	35	2,152	987
Other operating expenses	35	(463)	(119)
<b>Operating profit</b>		<b>140,509</b>	<b>105,506</b>
<b>Finance income (borrowing costs)</b>			
Finance income	33	377	2,409
Borrowing costs	33	(8,202)	(1,883)
<b>Borrowing costs, net</b>		<b>(7,825)</b>	<b>526</b>
<b>Profit before tax</b>		<b>132,684</b>	<b>106,032</b>
Income tax expense	27	(44,650)	(33,344)
<b>Profit or loss for the period</b>		<b>88,034</b>	<b>72,688</b>
Other comprehensive income		7,295	(11,375)
<b>Total comprehensive income</b>		<b>95,329</b>	<b>61,313</b>
<b>Basic earnings per ordinary share (in dollars)</b>	34	<b>0.243</b>	<b>0.337</b>

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



Compañía Minera Poderosa S.A.  
Separate Statement of Changes in Equity  
For the years ended December 31, 2019 and 2018

	Number of ordinary shares	Issued capital (note 23)	Other capital reserves (note 24)	Retained earnings (note 25)	Total equity
<i>In thousands of U.S. dollars</i>					
Balance as of January 1, 2018	150,000,000	46,225	9,245	144,066	199,536
Net profit for the period	-	-	-	72,688	72,688
<b>Total comprehensive income for the period</b>	-	-	-	<b>72,688</b>	<b>61,313</b>
Dividend distribution	-	-	-	(29,299)	(29,299)
Issuance of treasury shares	66,000,000	19,532	-	(19,532)	-
Establishment of legal reserve	-	-	3,906	(3,906)	-
<b>Total transactions with stockholders</b>	<b>66,000,000</b>	<b>19,532</b>	<b>3,906</b>	<b>(52,737)</b>	<b>(29,299)</b>
Other comprehensive income	-	(1,833)	(366)	(9,176)	(11,375)
<b>Balance as of December 31, 2018</b>	<b>216,000,000</b>	<b>63,924</b>	<b>12,785</b>	<b>154,841</b>	<b>231,550</b>
Balance as of January 1, 2019	-	-	-	-	-
Net profit for the period	-	-	-	88,034	88,034
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,034</b>	<b>88,034</b>
Dividend distribution	-	-	-	(35,378)	(35,378)
Issuance of treasury shares	147,000,000	44,586	-	(44,586)	-
Establishment of legal reserve	-	-	8,917	(8,917)	-
<b>Total transactions with stockholders</b>	<b>147,000,000</b>	<b>44,586</b>	<b>8,917</b>	<b>(88,881)</b>	<b>(35,378)</b>
Other comprehensive income	-	926	185	6,184	7,295
<b>Balance as of December 31, 2019</b>	<b>-</b>	<b>109,436</b>	<b>21,887</b>	<b>160,178</b>	<b>291,501</b>

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

Compañía Minera Poderosa S.A.  
Separate Statement of Cash Flow  
For the years ended December 31, 2019 and 2018

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018
<b>Cash flows from operating activities</b>			
Net profit for the period		88,034	72,688
<b>Debit (credit) to non-cash items (profit or loss)</b>			
Depreciation	12 & 13	9,863	9,093
Amortization	14	51,795	43,305
Allowance for impairment loss on other accounts receivable	8	1,676	721
Provision for litigations	19	97	520
Deferred tax	22	3,548	2,264
Costs of upgrading the provision for mine closure	20	354	(583)
Loss on sale of property, plant and equipment	35	464	119
Income tax		41,102	31,079
Exchange difference		363	314
Borrowing costs, net	33	1,872	1,535
<b>Debit (credit) for net changes in assets and liabilities</b>			
(Increase) Decrease in trade accounts receivable	7	(997)	54
Decrease in other accounts receivable	8	3,684	160
(Increase) Decrease in inventories	9	(2,254)	130
Increase in prepaid expenses	10	(5,453)	(794)
Increase in trade accounts payable	15	562	1,386
Increase in other accounts payable		8,259	5,097
Liabilities paid for mine closure		(429)	(791)
Interest paid		(2,209)	(1,517)
Income tax paid		(38,701)	(31,775)
<b>Net cash flows from operating activities</b>		<b>161,630</b>	<b>133,005</b>
<b>Cash flows from investing activities</b>			
Cash receipts from sale of property, plant and equipment	35	8	48
Cash paid for share purchase	11	(6,750)	(900)
Acquisition of intangible assets	14	(78,779)	(66,255)
Acquisition of property, plant and equipment	12 & 13	(29,439)	(26,114)
<b>Net cash used in investing activities</b>		<b>(114,960)</b>	<b>(93,221)</b>
<b>Cash flows from financing activities</b>			
Loans received	17	12,000	23,500
Short-term loans paid	17	(2,422)	(12,161)
Long-term loans paid	17	(9,545)	(4,812)
Finance leases paid	13 & 17	(5,627)	(4,099)
Dividends paid	17	(34,933)	(30,788)
<b>Net cash from (used in) financing activities</b>		<b>(40,527)</b>	<b>(28,360)</b>
Net increase in cash and cash equivalents		6,143	11,424
Cash and cash equivalents at the beginning of the year	6	30,087	18,080
Effects of changes in exchange difference on cash held		(405)	583
<b>Cash and cash equivalents at the end of the year</b>		<b>35,825</b>	<b>30,087</b>
<b>Non-cash transactions</b>			
Increase in costs for mine closure		(320)	(265)
Increase in liability for mine closure		320	265
Increase in right-of-use assets		7,597	-
Increase in leased property, plant and equipment		-	3,016

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



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**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**1. Background and Economic Activity**

**A. Background**

Compañía Minera Poderosa S.A. (hereinafter the Company) was incorporated on May 5, 1980. The Company's legal domicile is located at Av. Primavera No. 834, Santiago de Surco, Lima, Peru.

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

**B. Economic activity**

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

The Company entered into a contract for the sale of gold bullion with Scotia Mocatta New York, which is the branch of Scotiabank Canada that trades precious metals. This contract sets forth the sale terms and conditions, payment terms, responsibilities and obligations of each party, among others. Such contract has no maturity date.

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

**C. Approval of the separate financial statements**

Separate financial statements as of December 31, 2019 have been issued with management approval on January 30, 2020, and will be submitted to the Board of Directors for corresponding approval, and then put for consideration of the General Stockholders' Meeting that will be held within the terms established by Law for final approval. In management's opinion, the Board of Directors and General Stockholders' Meeting will approve the accompanying separate financial statements without amendments.

The General Stockholders' Meeting, held March 14, 2019, approved the separate financial statements as of December 31, 2018.

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

**A. Statement of compliance**

The Company's separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective December 31, 2019.

Details of the Company's accounting policies are included in note 3.

This is the first set of the Company's annual separate financial statements in which IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments* have been applied. Changes to significant accounting policies are described in note 4.

**B. Information responsibility**

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

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**C. Basis of measurement**

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

**D. Translation from Soles into US dollars (unaudited)**

The functional and presentation currency of the Company is Soles. The financial statements in Soles have been translated into US dollars subject to the application of "IAS 21 - The Effects of Changes in Foreign Exchange Rates", as follows: The assets and liabilities of the statement of financial position presented as of December 31, 2019 and 2018, were translated at the exchange rate at closing date. The equity presented as of December 31, 2019 and 2018 were translated at the exchange rate at date of historical transaction. The income and expenses contained in the statement of profit or loss and other comprehensive income for the year ended December 31, 2019 and 2018, were translated at the exchange rate of every transaction date. All exchange differences shall be recorded in the statement of other comprehensive income. The financial statements in US dollars were prepared to comply with requirements of shareholders, clients,-supplier, banks and with the purpose to be included in the annual memory of the Company.

**E. Changes in significant accounting policies**

The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

The Company has adopted new standards and amendments to existing standards with first-time adoption on January 1, 2019. Changes in significant accounting policies are described in note 4.

**F. Use of judgments and estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

**Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the separate financial statements is as follows:

- Revenue recognition: identifying performance obligations and determining revenue recognition over a period of time or at a point in time (note 3.O).
- Leases: determining whether an arrangement contains a lease and its classification (note 3.G).
- Uncertain tax treatment: determining current tax payable and current tax expense for which there is uncertainty over income tax treatment (note 4.B).
- Functional currency: using certain judgments to determine the primary economic environment in which an entity operates (note 2.D).



**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties as of December 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is described as follows:

**i. Useful life and recoverable amount of property, plant and equipment**

Depreciation is calculated using the straight-line method based on the lower of the estimated useful life of the asset and the remaining useful life of the mine. Probable and proved reserves are used in determining depreciation and amortization of mining assets. This results in depreciation and/or amortization charges proportional to the expected wear and tear of the residual value of mine production.

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

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

**ii. Determination of mineral resources and reserves**

The reserves represent the proved and probable mineral resource estimate that, in the current conditions, can be processed economically under established parameters.

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

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

**Conversion of mineral resources into ore reserves**

According to the Joint Ore Reserves Committee Code (JORC)—the Australasian code that sets minimum standards for public reporting of exploration results, mineral resources and ore reserves, and for determining probable and proved reserves— definition, an “ore reserve” is the economically mineable part of a measured and/or indicated mineral resource.

It includes diluting materials and allowances for losses that may occur when the material is mined or extracted. Also, it is defined by studies at pre-feasibility or feasibility level, as appropriate, that include the application of modifying factors—i.e., extraction, metallurgical, economic, market, legal, environmental, social and governmental factors. Such studies demonstrate that, at the reporting date, extraction could be reasonably justified.

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

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

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**iii. Provision for environmental rehabilitation and mine closure**

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

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

The Company recognizes a provision for mine closure, which represents its legal obligation to restore the site at the end of its activities. On initial recognition of the obligation, discounted at fair value, the same amount is charged to 'property, plant and equipment' in the separate statement of financial position.

Subsequently, the obligation is adjusted at the end of each reporting period to reflect the borrowing costs recorded at initial measurement. In addition, the capitalized cost is depreciated over the useful life of the related asset. The Company shall recognize any resulting gain or loss upon settlement of the obligation. Changes in the total obligation amount or useful life of related assets arising from revisions to initial estimates are recognized as an increase or a decrease in the carrying amount of the obligation and related asset.

**iv. Allowance for impairment loss on trade accounts receivable**

The Company recognizes an allowance for impairment loss on trade accounts receivable when there is objective evidence that the it will not be able to collect all amounts due according to the original terms of the accounts receivable. The expected credit loss (ECL) allowance for trade accounts receivable and contract assets is recognized using key assumptions to determine the weighted-average rate (notes 3.N and 5.D).

**v. Tax**

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

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

**vi. Allowance for inventory obsolescence**

The allowance for inventory obsolescence is recognized based on the net realizable value for inventories where there is evidence of impairment on an annual basis. Such allowance is debited to profit or loss of the period in which such reductions occurred.

**vii. Provision for administrative and labor proceedings**

Due to their nature, contingencies will be confirmed only by the occurrence or non-occurrence of one or more future events. The determination of contingencies requires the use of judgments and assumptions of the outcomes of future events.

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**viii. Fair value measurement**

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

The Company has an established control framework with respect to the fair value measurement. A valuation team is responsible for monitoring all significant fair value measurements, including Level 3 fair values, and reporting directly to the Finance Manager. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information—e.g., broker quotes or pricing services—is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet IFRS requirements, including the level in the fair value hierarchy in which these valuations should be classified. Significant valuation issues are reported to the Board of Directors (note 5.G).

**ix. Temporary adjustments to sales prices**

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

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

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

**x. Acquisition of subsidiary**

The acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values (note 11).

**3. Significant Accounting Policies**

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

**A. Cash and cash equivalents**

This caption comprises cash on hand, demand deposits in banks and other short-term, highly liquid investments with original maturities of less than three months and with no significant risk of changes in the fair value.

**B. Financial instruments**

**i. Initial recognition and measurement**

Accounts receivable and debt instruments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

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**ii. Classification and subsequent measurement**

**Financial assets**

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

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

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

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

A security or debt investment shall be measured at FVOCI if it meets both of the following conditions and is not measured at FVTPL:

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

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

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

**Business model assessment**

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

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



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

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

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

- contingent events that would change the timing or amount of contractual cash flows;
- terms that may adjust the coupon rate, including variable rate features;
- prepayment features and extension options; and
- terms that limit the Company’s claim to cash flows from specified assets—e.g., non-recourse financial asset.

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

**Subsequent measurement and gains and losses**

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

As of December 31, 2019 and 2018, the Company's financial assets are those presented in the separate statement of financial position in cash and cash equivalents, trade accounts receivable, accounts receivable from related parties, other accounts receivable and security investments, which are included in 'amortized cost,' except for security investments, which are included in 'financial assets at FVTPL.'

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**Subsequent measurement and gains and losses**

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

▪ **Financial liabilities**

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

**iii. Derecognition**

**Financial assets**  
The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred assets.

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

**Financial liabilities**  
The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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

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**v. Derivative instruments**

**Derivative instruments and hedge accounting**

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

**C. Inventories**

Inventories are measured at the lower of production cost or net realizable value. Cost is measured using the weighted average cost method, except for the cost of goods in transit, measured using the specific cost method. Cost of finished goods and work-in-progress includes costs related to the mineral extraction, direct labor, direct costs and general expenses, excluding borrowing costs and exchange differences. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An allowance for inventory obsolescence is charged to profit or loss for decreases in the carrying amount, of inventories at its net realizable value. The current portion of inventories is determined based on the accounts that are expected to be recorded in the next twelve months.

The main items in 'inventories' are the following:

**Finished goods and work-in-progress**

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

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

**Materials, supplies and goods in transit**

Materials and supplies are measured at the lower of cost using the weighted-average method or replacement cost. The cost of these items includes import duties and non-refundable purchase taxes. Goods in transit are measured at cost by using the specific identification method. The allowance for impairment loss on such items is recognized based on the specific analysis carried out by management on the turnover. If the carrying amount of materials and supplies exceeds the replacement cost, the difference is charged to profit or loss of the period in which it was determined. In management's opinion, the Company is not required to recognize an additional allowance to hedge the impairment losses on such inventories.

**D. Investments in subsidiaries**

A subsidiary is an entity that is controlled by the Company. The Company controls an investee if it has exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

Financial statements of a subsidiary are included in the consolidated financial statements from the date the Company gains control until the date when it ceases to control the subsidiary. Subsidiaries are recorded in the separate financial statements using the cost method.

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As of December 31, 2019, and 2018, the Company has no interests in consolidated structured entities and unconsolidated structured entities.

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

**E. Property, plant and equipment**

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

Subsequent costs attributable to property, plant and equipment are recognized at the carrying amount of the asset or classified as separate assets, as applicable, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the assets can be measured reliably; otherwise they are charged to the production costs or expenses, as appropriate. Repair and maintenance costs are charged to production costs or expenses, as appropriate, in the period in which they are incurred.

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

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

An item of property, plant and equipment items is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on sale of assets are the difference between the transaction revenue and the assets' carrying amount. They are recognized in the separate statement of profit or loss and other comprehensive income.

The residual value and useful life of an asset and the applied depreciation methods are reviewed and adjusted, if necessary, at each date of the separate statement of financial position. Any changes in these estimates are adjusted prospectively.

**Major repair and maintenance costs**

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



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Depreciation

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

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

The carrying amount of an asset is written-off at its recoverable amount when the asset's carrying amount exceeds its recoverable amount.

F. Intangible assets

Concessions and mining rights

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

Exploration and development expenditures

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

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

G. Leases

i. Policy applicable before January 1, 2019

Determining whether the contract is, or contains, a lease depends on the substance of the contract at the commencement date of the lease. The contract is assessed to determine whether fulfillment of the contract depends on the use of an identified asset(s) or whether the contract conveys the right to control the use of an asset(s), even if the asset(s) is not explicitly specified in a contract. The Company does not act as lessor in any transaction, but as lessee.

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At the commencement date, finance leases that transfer to the Company substantially all the risks and rewards incidental to ownership of an underlying asset are capitalized at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Any finance charge is recognized in 'borrowing costs' in the statement of profit or loss. Leased assets are depreciated over their useful life. However, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, the asset shall be depreciated over the shorter of the estimated useful life or lease term. Lease payments made under operating leases are recognized in 'operating expenses' in the statement of profit or loss on a straight-line basis over the lease term.

ii. Policy applicable from January 1, 2019

At the commencement date, the Company determines whether the arrangement is or contains a lease. An arrangement is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In assessing whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of lease stated in IFRS 16. The Company does not act as lessor in any transaction, but as lessee.

The Company as lessee

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

Right-of-use assets

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

Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. In addition, the right-of-use asset is measured at cost less any accumulated impairment losses (note 3.K), if any, and adjusted for any remeasurement of the lease liability. The useful lives of assets are following:

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

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

Lease liabilities

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

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The Company determines the incremental borrowing rate as follows:

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

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

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

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

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

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

***Short-term leases and leases of low-value assets***

The Company elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets, less than US\$ 15,000. The Company recognizes lease payments associated with these lease arrangements as expenses on a straight-line basis over the lease term.

***Extension and termination options***

Extension and termination options are included in leases. They are used to maximize operational flexibility in terms of managing the assets used in the Company's activities. The extension and termination options can be exercised only by the Company and not by the lessors.

***Critical judgments to determine the lease term***

In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Extension options (or the terms subsequent to the termination option) are only included in the lease term if the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

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For leased properties, the most relevant factors are the following:

- if there are payments of penalties for terminating (or not extending) the lease, the Company is reasonably certain to exercise an extension option (or not exercise a termination option);
- if any significant leasehold improvements are expected to have significant economic benefit for the lessee, the Company is reasonably certain to exercise an extension option (or not exercise a termination option); and
- other factors that include the lease term and the costs and business interruption necessary to replace the leased asset.

The Company reassesses the lease term if it exercises (or not exercises) an option or it is required to exercise (or not to exercise) the option. The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option, or not to exercise an option. In 2019, the Company estimated that the lease term of leases of land and property will be extended for a 24-month period.

**H. Loans**

Loans are initially measured at fair value, less transaction costs incurred. Loans are subsequently measured at amortized cost, and any difference between the funds received and the redemption amount is recognized in the statement of profit or loss and other comprehensive income during the loan term using the effective interest method. Non-relevant transaction costs are not considered and are included in the separate statement of profit or loss and other comprehensive income. The Company classifies a loan as a current liability when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the date of the separate statement of financial position.

**I. Income tax and deferred tax**

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

Current tax expense is calculated using the tax laws that have been enacted or substantially enacted as of the date of the separate statement of financial position. Management assesses on an ongoing basis its position in income tax returns regarding situations in which tax laws are subject to interpretations.

Deferred tax is recorded using the liability method based on the temporary differences derived from tax bases of assets and liabilities, and their balances in the separate financial statements. Deferred tax is determined based on current tax rates and laws expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled.

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

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



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

**J. Provisions**

**General**

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

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

**Provision for environmental rehabilitation**

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

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

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

**K. Impairment of assets**

**i. Non-derivative financial assets**

**Financial instruments and contract assets**

The Company recognizes loss allowances for ECL on:

- financial assets measured at amortized cost.

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

- debt instruments that are determined to have low credit risk at the reporting period; and
- other debt instruments and bank balances for which credit risk—i.e., the risk of default occurring over the estimated useful life of the financial instrument—has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and reported credit assessment, including forward-looking information.

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

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

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

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

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

**Measurement of ECLs**

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

**Credit-impaired financial assets**

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

Evidence that a financial asset is credit-impaired includes the following observable inputs:

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

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

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**Write-off**

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

**Impairment of financial assets**

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

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

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

If, in a further period, the impairment loss decreases and such decrease can be related objectively to the occurrence of an event subsequent to impairment recognition—e.g., improvement in the credit rating of a debtor—, the reversal of the previously recognized impairment is recognized in the statement of profit or loss and other comprehensive income.

The Company assesses on an individual basis whether there is objective evidence that accounts receivable may be impaired. Likewise, the Company assesses on a collective basis whether there is objective evidence that accounts receivable may be impaired, using information about past credit loss experience in accounts receivable with similar credit risk characteristics. It allows to reasonably estimate the allowance for impairment loss on accounts receivable considering the customer characteristics and the accounting requirements of IAS 39. The latter, in order to adequately hedge the risk of loss on accounts receivable in accordance with Peruvian market conditions.

**Impairment of non-financial assets**

Assets with indefinite useful life that are not amortized are subject to annual impairment tests. Depreciated or amortized assets are subject to impairment tests when there are events or circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. The asset's recoverable amount corresponds to the higher of net amount from its sale or value in use. For impairment testing, assets are grouped into the smallest group of assets that generates identifiable cash flows (cash-generating units – CGU).

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

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**L. Fair value of financial instruments**

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

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

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

**M. Employee benefits**

**Employees' profit sharing**

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

**Termination benefits**

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

**Legal bonuses**

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

**Severance payment**

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

**Holidays**

Personnel's annual holidays are recognized on an accrual basis. The provision for estimated liabilities corresponding to personnel's annual vacation, resulting from services rendered by employees, is recorded on the date of the separate statement of financial position.

**N. Impairment losses**

When events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, management reviews the carrying amount of the asset. If after the impairment test, the carrying amount exceeds its recoverable amount, an impairment loss is recognized in the separate statement of profit or loss and other comprehensive income. Recoverable amounts are estimated for each asset or, if it is not possible, for each CGU.



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

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

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

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

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

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

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

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

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

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

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

**Q. Contingencies**  
Contingent liabilities are not recognized in the separate financial statements. They are disclosed in notes to the financial statements, unless an outflow of economic resources is remote. Contingent assets are not recognized in the separate financial statements. They are only disclosed when an outflow of resources embodying economic benefits is probable.

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

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S. Dividend distribution

Dividend distribution to stockholders is recognized as liability in the separate financial statements in the period in which dividends are approved by the Company’s stockholders.

T. Finance income and borrowing costs

Finance income and borrowing costs are recorded in profit or loss of the periods to which they relate, and are recognized when accrued, regardless of when they are received or paid.

U. Mining royalties

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

V. Earnings per share

Basic earnings or loss per share are calculated by dividing the net profit corresponding to ordinary stockholders by the weighted average of outstanding ordinary shares as of the date of the separate statement of financial position. As of December 31, 2019 and 2018, the Company does not have dilutive financial instruments; therefore, basic and diluted earnings per share are the same.

W. Foreign currency transactions and balances

A foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency. A foreign currency transaction is recorded in the functional currency at the exchange rate ruling at the transaction date or the valuation date when items are remeasured.

Exchange gains or losses from paying such transactions and from translating monetary assets and liabilities stated in foreign currency at exchange rates ruling at the end of the period are recognized in the separate statement of profit or loss and other comprehensive income, except when they are deferred as other comprehensive income in transactions that qualify as a hedged item in a cash flow hedge.

X. Reclassifications

Certain 2018 items were reclassified in order to follow the presentation structure established in the current period. In management’s opinion, such reclassifications do not require any changes in the decisions made. The amounts reclassified and accounts affected are the following:

Separate statement of financial position

<i>In thousands of U.S. dollars</i>	2019	Reclassification	2018
<b>Other financial liabilities</b>			
Trade accounts payable (a)	20,230	608	20,838
<b>Accounts payable to related parties</b>			
Other accounts payable (a),(b),(c) and (d)	30,828	(10,396)	20,432
Provisions (b)	-	917	917
Employee benefits (c)	-	8,788	8,788
Hedging instruments	-	83	83
	<b>51,058</b>	<b>-</b>	<b>51,058</b>

- (a) This reclassification corresponds to debt factoring and reverse factoring as of December 31, 2018 recognized in 'other accounts payable' and 'trade accounts payable' for US\$ 608 thousand.
- (b) This reclassification corresponds to a provision for litigations for US\$ 917 thousand from other accounts payable to provisions.

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This reclassification corresponds to the transfer of remunerations from 'other accounts' to 'employee benefits payable' for US\$ 8,788 thousand.

- (c) This reclassification corresponds to hedging instruments for US\$ 83 thousand.

Y. New amendments to IFRSs of mandatory application for periods beginning on or after January 1, 2019

The application of the following amendments to IFRSs is mandatory for the first time for annual periods beginning on January 1, 2019:

New IFRSs, amendments and interpretations	Effective date
IFRS 16 <i>Leases</i>	
IFRIC 23 <i>Uncertainty over Income Tax Treatments Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19)	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.

The Company adopted these amendments which had no material effect on the separate financial statements as of December 31, 2019, except for IFRS 16 whose effects are presented in note 13.

Z. New accounting pronouncements issued but not yet adopted

The following new standards, amendments and interpretations have been issued and are effective for annual periods beginning on or after the presentation date of these separate financial statements:

New IFRSs, amendments and interpretations	Effective date
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	January 1, 2020
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely.

IFRS 6, which is a standard not yet effective, is not expected to have an impact on the Company's separate financial statements in its first-time adoption.

4. Changes in Significant Accounting Policies

The Company adopted IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments* for the first time from January 1, 2019. The nature and effect of these changes as a result of the adoption of the new standards are described below. In addition to the changes described below, the accounting policies adopted are consistent with prior period policies. Other amendments and interpretations were adopted for the first time in the year 2019, but they did not have an impact on the Company's separate financial statements and, therefore, have not been disclosed. The Company has not early adopted any standard, interpretation or amendment issued but not yet effective.

A. IFRS 16: Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires a lessee to present all leases under the single lessee accounting model in the statement of financial position. Lessor accounting remains similar to the current standard, except for the requirements for subleases. A lessor will continue to classify its leases as operating or finance leases using classification principles similar to those in IAS 17. The Company does not have lease arrangements in which it acts a lessor. IFRS 16 also requires more extensive disclosures than IAS 17.



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The Company has leases for land, property, machinery and various equipment (including IT equipment). It has no subleases. Prior to the adoption of IFRS 16, the Company classified its leases (acting as lessee) on the commencement date as a finance lease or operating lease.

The Company adopted IFRS 16 *Leases* using the modified retrospective approach from January 1, 2019 whereby the comparative information was not restated, in accordance with the transition requirements and is still reported under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*. The Company shall disclose information about its leases in a separate section in accordance with IAS 17 and IFRIC 4. Reclassifications and adjustments from the adoption of IFRS 16 are recognized in the opening balance on January 1, 2019. The new accounting policy is disclosed in note 3.G.

i. Leases classified as operating leases under IAS 17

Due to the adoption of IFRS 16, the Company applied a single lessee accounting model for recognizing and measuring leases, except for short-term leases and leases of low-value assets. The Company has leases of various equipment —i.e., PCs and water dispenser—of low-value assets.

The Company recognized right-of-use assets and lease liabilities arising from lease arrangement that were previously classified as "operating leases" under IAS 17. The Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Company's incremental borrowing rate from January 1, 2019. The discount rate applied to lease liabilities from January 1, 2019 was 4.36%. A right-of-use asset is measured at an amount equal to the lease liability. The Company was not required to recognize any adjustments for prepaid or accrued lease payments relating to the lease previously recognized.

The Company performed impairment tests to its right-of-use assets on transition date and determined that there are not indications that the right-of-use assets may be impaired.

Practical expedients

On the first-time adoption of IFRS 16, the Company is permitted to apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- recognize leases with a lease term of less than 12 months in the same way as short-term leases;
- exclude initial direct costs from the measurement of the right-of-use asset on the first-time adoption; and
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Company has also decided to reassess whether the contract is, or contains, a lease on the first-time adoption.

ii. Leases classified as finance leases under IAS 17

The Company leases buildings, machinery and various equipment to financial institutions. Such leases are classified as finance leases under IAS 17. For leases that were classified as finance leases, the carrying amount of the right-of-use asset and the lease liability as of January 1, 2019 shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

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iii. Impact on the separate financial statements

Effects (increase/decrease) of adopting IFRS 16 as of January 1, 2019 on the separate statement of financial position are as follows:

	January 1, 2019
<i>In thousands of U.S. dollars</i>	
Right-of-use assets	677
Lease liabilities	677

Changes in the accounting policy had an impact on the following items in the separate statement of financial position as of January 1, 2019:

- Right-of-use assets were recognized and presented separately in the separate statement of financial position.
- Additional lease liabilities are recognized and included in 'lease liabilities.'
- 'Property, plant and equipment' decreased by US\$ 5,457 thousand due to the reclassification of finance leases.
- 'Other financial liabilities' decreased by US\$ 7,563 thousand due to the reclassification of lease liabilities with banks.
- 'Other accounts payable' decreased by US\$ 1,549 thousand due to the reclassification of lease liabilities with suppliers.

The Company reconciles the lease liabilities as of January 1, 2019 to the operating lease commitments as of December 31, 2018 as follows:

	January 1, 2019
<i>In thousands of U.S. dollars</i>	
Operating leases as of December 31, 2018 (undiscounted)	640
<b>It excludes:</b>	
Commitments related to unrecognized leases of low-value assets	(1)
Commitments related to unrecognized short-term leases	(123)
<b>It includes:</b>	
Lease liabilities	8,945
Lease payments related to renewal periods not included in operating leases as of December 31, 2018	193
Discount effect	(33)
<b>Lease liabilities recognized as of January 1, 2019</b>	<b>9,621</b>

B. IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 clarifies how the Company applies the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

Uncertain tax liabilities or assets recognized applying IFRIC 23 are current tax liabilities or assets as defined in IAS 12, or deferred tax liabilities or assets as defined in IAS 12. Consequently, such tax balances are recorded as current or deferred tax assets or liabilities. They are not recorded as 'provisions' or in any items as 'other accounts receivable' or 'other accounts payable.'

The Company applied IFRIC 23 on current and deferred tax assets or liabilities when there was uncertainty over income tax treatments.

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When there is uncertainty over income tax treatments, the Company shall consider whether it is probable that the Tax Authorities will accept an uncertain tax treatment used or planned to be used in its income tax filings. In assessing an uncertain tax treatment, the Company shall assume that the Tax Authorities will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

The Company determined that interest and penalty charges related to income taxes, included in uncertain tax treatments, do not meet the definition of income tax. Therefore, they were recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

In accordance with the Company's assessment, the adoption of IFRIC 23 did not have a significant impact on the separate financial statements.

5. Financial Risk Management

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

A. Exchange rate risk

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

Foreign currency balances as of December 31 are summarized as follows:

<i>In thousands of soles</i>	2019	2018
<b>Assets</b>		
Cash and cash equivalents	4,748	13,420
Other accounts receivable	4,828	41,417
	<b>9,576</b>	<b>54,837</b>
<b>Liabilities</b>		
Trade accounts payable	(10,328)	(23,689)
Other accounts payable	(35,084)	(111,330)
	<b>(45,412)</b>	<b>(135,019)</b>
<b>Net liabilities</b>	<b>(35,836)</b>	<b>(80,182)</b>

As of December 31, 2019, the exchange rate used by the Company to record foreign currency balances, as published by the Banking, Insurance and Private Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS), was S/ 3.317 per US\$ 1 for assets and liabilities (2018: S/ 3.379 per US\$ 1 for assets and liabilities).

B. Interest rate risk

The Company's interest rate risk arises from long-term debts. Variable-rate debts expose the Company to interest rate risk on cash flows. Fixed-rate debts expose the Company to interest rate risk on fair value of liabilities.

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

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As of December 31, 2019, and 2018, fixed and variable rate instruments held by the Company are the following:

<i>In thousands of U.S. dollars</i>	2019	2018
<b>Fixed-rate instruments</b>		
Time deposits	24,091	15,888
Other financial liabilities	(39,243)	(46,529)
	<b>(15,152)</b>	<b>(30,641)</b>

C. Price risk

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

If, as of December 31, 2019 and 2018, the price of gold bullion would have been 10% higher/lower and all other variables would have remained constant, profit or loss before taxes would have been as follows:

<i>In thousands of U.S. dollars</i>	Increase/decrease in price	Effects on profit or loss before taxes
<b>2019</b>	+10%	44,260
	-10%	(44,260)
<b>2018</b>	+10%	35,792
	-10%	(35,792)

D. Credit risk

Credit risk is the risk that arises from the debtor's inability to meet its obligations upon maturity. In management's opinion, the Company is not exposed to credit risk because its sales are concentrated on only one customer, Bank of Nova Scotia, which is an international tier 1 company.

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

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

E. Liquidity risk

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



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

<i>In thousands of U.S. dollars</i>	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	More than 2 years
<b>2019</b>					
Other financial liabilities	39,243	40,504	25,700	10,488	4,316
Other accounts payable	24,370	24,370	24,370	-	-
Employee benefits	11,460	11,460	11,460	-	-
Lease liabilities	7,800	8,091	4,747	2,231	1,113
Hedging instruments	870	870	870	-	-
Trade accounts payable	21,399	21,399	21,399	-	-
	<b>105,142</b>	<b>106,694</b>	<b>88,546</b>	<b>12,719</b>	<b>5,429</b>
<b>2018</b>					
Other financial liabilities	46,529	48,467	27,812	20,582	73
Other accounts payable	22,732	22,732	22,732	-	-
Employee benefits	8,788	8,788	8,788	-	-
Hedging instruments	83	83	83	-	-
Trade accounts payable	20,838	20,838	20,838	-	73
	<b>98,969</b>	<b>100,908</b>	<b>80,253</b>	<b>20,582</b>	<b>73</b>

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

F. Capital management

The Company's objective in managing capital is to safeguard its capacity to continue as a going concern and provide the expected return to its shareholders and respective benefits to stakeholders, as well as maintaining an optimum structure to reduce capital cost.

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

The Company's strategy is to maintain a debt-to-equity ratio of less than 2. As of December 31, 2019, and 2018, leverage ratios are of less than 2 due to a higher concentration of cash and cash equivalents in both periods. The latter, to meet the payment of dividends, expense allowance for Board of Directors, employees' profit sharing and other current financial liabilities.

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

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As of December 31, 2019 and 2018, leverage ratios are as follows:

<i>In thousands of U.S. dollars</i>	2019	2018
Trade accounts payable	21,399	20,838
Other accounts payable	23,674	21,814
Hedging instruments	870	83
Other financial liabilities	39,243	46,529
Lease liabilities	7,800	-
Employee benefits	11,460	8,788
Provisions	768	917
Provision for environmental rehabilitation	8,872	9,098
Deferred tax liabilities	13,616	9,883
Less: Cash and cash equivalents	(35,825)	(30,087)
<b>Net debt</b>	<b>91,877</b>	<b>87,863</b>
<b>Total equity</b>	<b>291,501</b>	<b>231,550</b>
<b>Debt-to-equity ratio</b>	<b>0.32</b>	<b>0.38</b>

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G. Accounting classification and fair value

The following table provides the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount			Fair value		
In thousands of U.S. dollars	Note	Fair value – hedging instruments	Loans and accounts receivable	Other financial liabilities	Total	Level 2	Total
<b>As of December 31, 2019</b>							
<b>Financial assets measured at fair value</b>							
Hedging instruments	8	24	-	-	24	24	24
		<b>24</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Financial liabilities measured at fair value</b>							
Hedging instruments	21	870	-	-	870	388	388
		<b>870</b>	<b>-</b>	<b>-</b>	<b>870</b>	<b>388</b>	<b>388</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	6	-	35,825	-	35,825	-	-
Trade accounts receivable	7	-	2,901	-	2,901	-	-
Other accounts receivable (a)	8	-	7,127	-	7,127	-	-
		<b>-</b>	<b>45,852</b>	<b>-</b>	<b>45,852</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>							
Other financial liabilities	17	-	-	39,243	39,243	40,504	40,504
Trade accounts payable	15	-	-	21,399	21,399	-	-
Other accounts payable (b)	16	-	-	18,501	18,501	-	-
		<b>-</b>	<b>-</b>	<b>79,143</b>	<b>79,143</b>	<b>40,504</b>	<b>40,504</b>

(a) Excluding tax benefits and restricted funds.

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

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		Carrying amount			Fair value		
In thousands of U.S. dollars	Note	Fair value – hedging instruments	Loans and accounts receivable	Other financial liabilities	Total	Level 2	Total
<b>As of December 31, 2018</b>							
<b>Financial assets measured at fair value</b>							
Hedging instruments	8	287	-	-	287	287	287
		<b>287</b>	<b>-</b>	<b>-</b>	<b>287</b>	<b>287</b>	<b>287</b>
<b>Financial liabilities measured at fair value</b>							
Hedging instruments	21	-	-	-	-	-	-
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	6	-	30,087	-	30,087	-	-
Trade accounts receivable	7	-	1,904	-	1,904	-	-
Other accounts receivable (a)	8	-	10,834	-	10,834	-	-
		<b>-</b>	<b>42,825</b>	<b>-</b>	<b>42,825</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>							
Other financial liabilities	17	-	-	46,529	46,529	48,289	48,289
Trade accounts payable	15	-	-	20,838	20,838	-	-
Other accounts payable (b)	16	-	-	20,714	20,714	-	-
		<b>-</b>	<b>-</b>	<b>88,081</b>	<b>88,081</b>	<b>48,289</b>	<b>48,289</b>

(a) Excluding tax benefits and restricted funds.

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

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



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Financial instruments measured at fair value

The following provides information on the inputs used to measure the fair value of financial instruments. The inputs to valuation techniques used to measure fair value are categorized into three levels within a fair value hierarchy. Those levels are the following:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

6. Cash and Cash Equivalents

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Cash on hand and petty cash fund	73	22
Checking accounts	11,661	14,177
Time deposits	24,091	15,888
	35,825	30,087

As of December 31, 2019, the Company has checking accounts at tier 1 local and foreign financial institutions in local and foreign currency for S/ 7,999 thousand and US\$ 9,250 thousand, respectively (2018: S/ 10,345 thousand and US\$ 11,115 thousand, respectively). Such funds have free withdrawal option and accrue interest at market interest rates.

Time deposits have original maturities of less than 90 days and have renewal option upon maturity date. As of December 31, 2019, time deposits were stated in S/ 7,600 thousand and US\$ 21,800 thousand. Such time deposits accrued interest at effective interest rates of 2.70% in soles and 1.65% in U.S. dollars. As of December 31, 2018, time deposits were stated in S/ 3,000 thousand and US\$ 15,000 thousand. Such time deposits accrued interest at effective interest rates of 3.85% in soles, and between 1.95% and 2.60% in U.S. dollars.

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

<i>In thousands of U.S. dollars</i>	2019	2018
Bank deposits		
A+	35,641	29,998
A	111	67
	35,752	30,065

Impairment of cash and cash equivalents was measured based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On the first-time adoption of IFRS 9, the Company did not recognize an allowance for impairment loss as of December 31, 2019.

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7. Trade Accounts Receivable

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Invoices receivable – overseas	2,901	1,903
Total trade accounts receivable	2,901	1,903

Trade accounts receivable have current maturity, do not have specific guarantees, and do not accrue interest.

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

As of December 31, 2019, the embedded derivative from changes in the quoted prices established in the contracts for the sale of gold amounts to US\$ 99 thousand (2018: US\$ 45 thousand).

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

<i>In thousands of U.S. dollars</i>	2019	2018
Aging of accounts receivable		
Current	2,901	1,903
Classification of debtors		
Group 2	2,901	1,903

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

In management's opinion, the Company is not required to recognize an allowance for impairment loss on accounts receivable as of December 31, 2019 and 2018 (note 5). It also considers that it hedges adequately the credit risk in such items as of those dates (note 5.D).

8. Other Accounts Receivable

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Sales tax (a)		3,090	4,529
Down payments of corporate income tax (b)		-	695
Derivative instruments (c)	5.G	24	287
Advances to contractors (d)		389	1,840
Accounts receivable from personnel		855	555
Loans for contractors (d)		779	1,003
Sale of materials to artisanal miners		394	486
Retentions of Environmental Assessment and Control Agency (OEFA)		-	321
Works for taxes scheme – Regional Government of La Libertad (e)		1,357	906
Other		262	212
		7,150	10,834

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- (a) It corresponds to the sales tax paid by the Company from the purchase of goods and services. Such sales tax will be recovered through the tax on forward sales. Additionally, for exporters, the tax credit can be automatically offset with the tax debt from down payments and tax regularization payments, or with any other tax charged to the Company that represents revenue for the Public Treasury. If such recovery is not possible, the balance in favor will be refunded through negotiable instruments (credit notes), non-negotiable instruments (checks) and/or deposits in checking or savings accounts. The balance in favor payment or refund shall have a percentage limit equivalent to the sales tax rate, including municipal promotion tax, on the Free of Board (FOB) value as per export declarations duly numbered supporting exports shipped over the period.
- (b) Corporate income tax: It corresponds to the balance in favor of the corporate income tax that the Company can apply against down payments of monthly statements or tax regularization payments.
- (c) Derivative instruments: It corresponds to unrealized gains and losses on derivative instruments, also called commodity swaps, which were not settled as of December 31, 2019 and 2018 (note 21).
- (d) Advances to and loans for contractors: It corresponds to transactions with artisanal miners. As of December 31, 2019, the increase is aligned with the gold production (ounces).
- (e) Works for taxes scheme – Regional Government of La Libertad.

In 2019, the project "Improvement of water and sanitation services to the Alisos, Campamento, Pueblo Nuevo, Santa María, Pataz, San Fernando and Vista Florida communities" with the District Municipality of Pataz continued. In addition, the project "Establishment of a Municipal Library in the Pataz community" will be completed in March 2020.

In 2018, the project "Improvement of water and sanitation services to the Alisos, Campamento, Pueblo Nuevo, Santa María, Pataz, San Fernando and Vista Florida communities" with the District Municipality of Pataz continued. In addition, the project "Establishment of a Municipal Library in the Pataz community" was initiated. Both projects will be completed in 2019. Also, the project "Construction of a sprinkler irrigation system in the Chuquitambo area located at the District and Province of Pataz" was completed.

In application of IFRS 9, the Company recognized an allowance for impairment loss for other accounts receivable for US\$ 3,007 (US\$ 1,934 in 2018).

<i>In thousands of U.S. dollars</i>	2019	2018
Balance as of December 31	1,934	669
Provisions made during the year	1,633	1,265
Effect of exchange rate	(560)	-
<b>Balance as of December 31</b>	<b>3,007</b>	<b>1,934</b>

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9. Inventories

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018
Finished goods	29	7,085	5,220
Work-in-progress	29	253	295
Supplies		5,703	5,060
Goods in transit		339	543
Effect of exchange rate		(9)	-
		<b>13,371</b>	<b>11,118</b>

As of December 31, 2019, finished goods comprises 8,361 ounces of gold with a market value of US\$ 1,583 per ounce (2018: 7,118 ounces of gold with a market value of US\$ 1,292 per ounce).

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

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

In management's opinion, the Company is not required to recognize an allowance for inventory obsolescence to hedge the obsolescence risk as of the date of the statement of financial position.

10. Prepaid Expenses

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Advance of countervailing duties	8,562	4,255
Licenses	1	209
Prepaid leases	142	191
Prepaid taxes	-	76
Prepaid insurance (b)	2,375	1,398
Option premiums	443	-
Other expenses	395	336
<b>Total prepaid expenses</b>	<b>11,918</b>	<b>6,465</b>
<b>Current portion</b>	<b>4,896</b>	<b>2,910</b>
<b>Non-current portion (a)</b>	<b>7,022</b>	<b>3,555</b>

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



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The total amount of this contract, measured at its present value at the signing date, has been recognized as long-term prepaid expense in the separate statement of financial position and will be amortized against the royalties generated during the concession's exploitation phase. The payment obligation arising at the date of the agreement, measured at its present value, was recorded in 'other accounts payable' under 'provision for countervailing duties' for US\$ 1,428 thousand (note 16).

The Company made a prepayment on January 30, 2019 for US\$ 5,000 thousand for a mining concession agreement on countervailing duties. Such amount will be deducted from future royalty payments for production and sale of gold ore.

- (b) The renewal of the insurance contract entered into with Rimac Seguros y Reaseguros was agreed on July 31, 2019, with maturity on July 30, 2020.

11. Investments in Subsidiaries and Associates

As of December 31, this caption comprises the following:

In thousands of U.S. dollars		Main activity	2019	2018
Sociedad Eléctrica Lavasen S.A.C.	Power supply		1	1
Sociedad Minera de Responsabilidad Limitada San Francisco	Owner of the San Francisco mining concession		450	450
Sociedad Minera de Responsabilidad Limitada El Miski	Owner of the El Miski mining concession		450	450
EEA S.A.	Lease of property		6,750	-
Effect of exchange rate			25	(30)
			7,676	871

As of December 31, 2019, Sociedad Eléctrica Lavasen S.A.C. has 1,000 shares with a face value of S/ 1 per share. The Company holds 99% of shares of its capital.

As of December 31, 2019, EEA S.A. has 5,070,000 shares with a face value of S/ 1 per share. The Company holds 99.9% of shares of its capital. Also, the Company controls such company since June 11, 2019.

As of December 31, 2019, investments in subsidiaries are recorded at cost and there is no indication of impairment.

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12. Property, Plant and Equipment

Movement in the cost and relevant accumulated depreciation of items of property, plant and equipment for the years ended December 31, 2019 and 2018, is the following:

In thousands of U.S. dollars	Land	Buildings, constructions and premises	Machinery and equipment	Vehicles	Furniture and fixtures	Various equipment	Replacement parts	Work-in-progress	Environmental rehabilitation upon mine closure	Closing balances
Year 2019										
Cost										
Balance as of January 1, 2019	9,980	96,351	70,721	1,472	1,303	8,391	6,869	45,266	13,804	254,157
Effects of IFRS 16 – change in accounting policy	-	(1,362)	(3,280)	-	(3)	(2,684)	-	-	-	(7,329)
Additions	-	-	-	-	-	-	1,821	19,831	(319)	21,333
Disposals	-	-	(2,645)	(633)	(15)	(88)	-	-	-	(3,381)
Transfers	731	10,485	5,964	136	241	1,364	(7,730)	(11,190)	-	-
Effect of exchange rate	187	1,707	1,470	105	29	187	392	1,075	256	5,408
Balance as of December 31, 2019	10,898	107,181	72,230	1,079	1,555	7,170	1,352	54,982	13,741	270,188
Accumulated depreciation										
Balance as of January 1, 2019	-	(34,321)	(44,200)	(1,240)	(734)	(3,983)	-	-	(10,000)	(94,478)
Effects of IFRS 16 – change in accounting policy	-	771	14	-	-	1,087	-	-	-	1,872
Additions	-	(5,096)	(3,696)	(75)	(80)	(619)	-	-	(392)	(9,968)
Disposals	-	-	2,249	579	12	79	-	-	139	3,058
Effect of exchange rate	-	(3,232)	328	(60)	12	(7)	-	-	(291)	(3,250)
Balance as of December 31, 2019	-	(41,878)	(45,305)	(796)	(800)	(3,443)	-	-	(10,544)	(102,766)
Net carrying amount at the end of the year	-	65,303	26,925	283	755	3,727	1,352	54,982	3,197	167,422

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<i>In thousands of U.S. dollars</i>	Land	Buildings, constructions and premises	Machinery and equipment	Vehicles	Furniture and fixtures	Various equipment	Replacement parts	Work-in-progress	Environmental rehabilitation upon mine closure	Closing balances
<b>Year 2018</b>										
<b>Cost</b>										
Balance as of January 1, 2018	9,816	88,985	69,978	1,547	1,235	7,112	6,388	40,072	14,851	237,764
Additions	-	-	-	-	-	-	11,364	19,854	(265)	30,953
Disposals	(6)	(340)	(3,305)	(61)	(87)	(1,306)	-	-	-	(5,105)
Transfers	570	13,593	6,504	40	194	2,775	(10,676)	(13,000)	-	-
Effect of exchange rate	(400)	(3,867)	(2,456)	(64)	(39)	(191)	(206)	(1,660)	(582)	(9,455)
<b>Balance as of December 31, 2018</b>	<b>9,980</b>	<b>96,351</b>	<b>70,721</b>	<b>1,472</b>	<b>1,303</b>	<b>8,390</b>	<b>6,870</b>	<b>45,266</b>	<b>13,804</b>	<b>254,157</b>
<b>Accumulated depreciation</b>										
Balance as of January 1, 2018	-	(34,321)	(44,200)	(1,240)	(734)	(3,983)	-	-	(10,000)	(94,478)
Additions	-	(5,063)	(3,683)	(71)	(82)	(1,266)	-	-	(497)	(10,861)
Disposals	-	332	3,237	65	77	1,285	-	-	-	4,986
Effect of exchange rate	-	1,808	1,576	47	25	44	-	-	397	3,697
<b>Balance as of December 31, 2018</b>	<b>-</b>	<b>(37,244)</b>	<b>(43,070)</b>	<b>(1,209)</b>	<b>(714)</b>	<b>(3,919)</b>	<b>-</b>	<b>-</b>	<b>(10,100)</b>	<b>(96,256)</b>
<b>Net carrying amount at the end of the year</b>	<b>9,980</b>	<b>59,107</b>	<b>27,651</b>	<b>263</b>	<b>589</b>	<b>4,471</b>	<b>6,870</b>	<b>45,266</b>	<b>3,704</b>	<b>157,901</b>

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Depreciation charge for the years ended December 31, 2019 and 2018, was allocated as follows:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
<b>Separate statement of profit or loss and other comprehensive income</b>			
Cost of sales	29	7,644	7,580
Provision for environmental rehabilitation	29	392	518
Administrative expenses	31	234	985
Selling expenses	30	1	10
		<b>8,271</b>	<b>9,093</b>
<b>Separate statement of financial position</b>			
Intangible assets	14	1,610	1,472
Work-in-progress		87	112
		<b>1,697</b>	<b>1,584</b>
		<b>9,968</b>	<b>10,677</b>

As of December 31, 2019 and 2018, management carried out an impairment test of the recoverable amount of its items of property, plant and equipment by discounting the future cash flows in soles expected to be derived from such assets. According to the impairment tests carried out as of those dates, the Company is not required to record any impairment loss on long-lived assets.

As a guarantee given as collateral for loans from Scotiabank Perú S.A.A. (note 17), the Company granted a guarantee trust on various machinery and equipment that are part of the Santa Maria I Processing Plant for US\$ 3,012 thousand.

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

As of December 31, 2018, the Company had leased assets whose carrying amount at that date amounted to US\$ 6,743 thousand (notes 4 and 13).



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As of December 31, 2019 and 2018, work-in-progress mainly comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Lavasen Hydroelectric Project	14,179	13,532
Expansion of the Santa Maria I Processing Plant to 1000 DMTD	5,262	1,182
Jimena Mine Shaft	5,652	5,652
138 kV transmission lines	4,401	3,692
Nimpana Hydroelectric Station	3,579	2,454
Construction of an access road to Nimpana Hydroelectric Station	2,982	2,583
Hydraulic Backfill Plant	2,215	1,090
Expansion of the Marañón Processing Plant to 800 MT	1,978	1,520
Medical Center and administrative offices in Santa Maria	-	1,048
Powder Keg Construction Lv. 2360 - St. Maria	878	-
Infrastructure Innovation of Process Precipitated Treatment	810	227
Pique Santa Maria	741	741
Effluent Plant Construction Nv 2120	740	329
Construction of New Central Warehouse Sta Maria	686	118
Expansion of Electrical Networks U.P. Sta Maria 2019	617	-
Expansion of Electrical Networks U.P. Marañón 2019	540	-
Filtered tailings deposit in Quebrada Lívias - Stage II	463	-
Modification of the Eia UP Marañón (New Components)	428	359
Construction of Dining Room and Recreation Center Lv.2260 SM	380	118
Paving Chinatown Area Vijus	360	-
Lower amounts in 1,000 thousand Soles	8,091	10,621
	54,982	45,266

As of December 31, 2019, transfers of work-in-progress balance for US\$ 11,079 thousand mainly correspond to the Lavasen Hydroelectric Project, Expansion of the Santa María I Processing Plant to 1000 DMTD, Jimena Mine Shaft, 138 kV transmission lines, Construction of an access road to Nimpana Hydroelectric Station, Hydraulic Backfill Plant, Expansion of the Marañón Processing Plant to 800 MT, Construction of a powder magazine at LVL-2360 in the Santa María Production Unit, Infrastructure for mineral precipitation, Construction of a new storage facility in the Santa María Production Unit, Extension of the Santa María Production Unit electric grids – year 2019 and Extension of the Marañón Production Unit electric grids – year 2019. As of December 31, 2018, transfers of work-in-progress mainly correspond to the Construction of Hualanga Highway in the Santa María Production Unit, Construction of La Pajilla Highway, Construction of the Hualanga Tailings Dam (Phase II), Improvement of Santa María II Tailings Dam, Construction of El Toro Highway, Extension of the Marañón Production Unit electric grids and Extension of the Santa María Production Unit electric grids.

The Lavasen Hydroelectric Project will be completed in the year 2021. The Project aims to achieve energy self-sufficiency, produce 43.45 MW and trade the surplus.

As of December 31, 2019, 'other minor projects' are ongoing projects that will be completed between years 2020 and 2021.

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13. Leases

The Company has leases for land, property, machinery and equipment used in its activities. Leases generally have a term two to five years, and a renewal option at the end of the lease term. The Company has limits to assign and sublease a leased asset. Lease arrangements include fixed payments.

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

i. Right-of-use assets

The following table provides the carrying amounts of right-of-use assets:

<i>In thousands of U.S. dollars</i>	Note	Land	Property	Machinery	Various equipment	Total
Balance as of January 1	4	-	840	3,593	1,554	5,987
Additions		21	1,374	5,661	541	7,597
Amendments (a)		-	593	-	-	593
Depreciation charge for the year		(1)	(594)	(644)	(739)	(1,978)
Effect of exchange rate		1	14	48	34	97
		21	2,227	8,658	1,390	12,296

(a) It corresponds to amendments to the lease payments of properties used as administrative offices and parking lots.

Depreciation charge for the years ended December 31, 2019 and 2018, was allocated as follows:

<i>In thousands of U.S. dollars</i>	Note	2019
<b>Separate statement of profit or loss and other comprehensive income</b>		
Cost of sales	29	810
Provision for environmental rehabilitation	29	-
Administrative expenses	31	772
Selling expenses	30	10
		1,592
<b>Separate statement of financial position</b>		
Intangible assets	14	384
Work-in-progress		2
		386
		1,978

ii. Lease liabilities

The following table provides the carrying amounts of lease liabilities:

<i>In thousands of U.S. dollars</i>	Note	2019
Balance as of January 1	4	9,621
Additions		3,946
Accrued interest		218
Lease payments		(5,628)
Effect of exchange rate		(357)
		7,800
Current		4,559
Non-current		3,241

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

<i>In thousands of U.S. dollars</i>	2019
<b>2019 – Leases under IFRS 16</b>	
Depreciation charge for right-of-use assets	1,978
Interest expense on lease liabilities	218
Expense relating to short-term leases	1,787
expense relating to leases of low-value assets, excluding expense relating to short-term leases of low-value assets	6
<b>Total amounts recognized in profit or loss for the period</b>	<b>3,989</b>

iv. Amounts recognized in the separate statement of cash flows

<i>In thousands of U.S. dollars</i>	2019
Total cash outflow for leases	(5,628)

Extension options

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

14. Intangible Assets

Movement in the cost and relevant accumulated amortization of intangible assets for the years ended December 31, 2019 and 2018, is the following:

	Concessions and mining rights	Exploration and development expenditures	Closing balances
<i>In thousands of U.S. dollars</i>			
<b>Year 2019</b>			
<b>Cost</b>			
Opening balances	28,127	447,415	475,542
Additions	1,762	77,017	78,779
Effect of exchange rate	516	8,881	9,397
<b>As of December 31, 2019</b>	<b>30,405</b>	<b>533,313</b>	<b>563,718</b>
<b>Amortization</b>			
Opening balances	(22,510)	(322,711)	(345,221)
Additions	(1,775)	(50,020)	(51,795)
Effect of exchange rate	(390)	(5,668)	(6,058)
<b>As of December 31, 2019</b>	<b>(24,675)</b>	<b>(378,399)</b>	<b>(403,074)</b>
<b>Net carrying amount at the end of the year</b>	<b>5,730</b>	<b>154,914</b>	<b>160,644</b>

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	Concessions and mining rights	Exploration and development expenditures	Closing balances
<i>In thousands of U.S. dollars</i>			
<b>Year 2018</b>			
<b>Cost</b>			
Opening balances	26,643	401,444	428,087
Additions	2,627	63,627	66,254
Effect of exchange rate	(1,143)	(17,656)	(18,799)
<b>As of December 31, 2018</b>	<b>28,127</b>	<b>447,15</b>	<b>(475,542)</b>
<b>Amortization</b>			
Opening balances	(22,508)	(293,442)	(315,950)
Additions	(932)	(42,373)	(43,305)
Effect of exchange rate	930	13,104	14,034
<b>As of December 31, 2018</b>	<b>(22,510)</b>	<b>(322,711)</b>	<b>(345,221)</b>
<b>Net carrying amount at the end of the year</b>	<b>5,617</b>	<b>124,704</b>	<b>130,321</b>

Additions to 'exploration and development expenditures' in the year 2019 include US\$ 1,994 thousand (2018: US\$ 1,584 thousand) related to the depreciation charge of machinery and vehicles (note 12). Additionally, it includes employees' profit sharing related to the exploration and development activities for US\$ 2,960 thousand (2018: US\$ 2,323 thousand) (note 24).

As a guarantee given as collateral for loans granted by Scotiabank Perú S.A.A. in September 2012, the Company entered into a trust agreement (effective for the years 2019 and 2018) on three mining concessions for US\$ 64,351 thousand.

Amortization charge for the years ended December 31, 2019 and 2018, was allocated to the production cost (note 29).

15. Trade Accounts Payable

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Invoices	21,399	20,838

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

As of December 31, 2019, it comprises debt factoring and reverse factoring for US\$ 3,470 thousand (2018: US\$ 607 thousand).

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

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



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16. Other Accounts Payable

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018
Other taxes and contributions (a)		2,534	774
Related parties (c)		3,953	3,963
Countervailing duties payable (b)		1,428	1,954
Other accounts payable to related parties (d)		47	1,662
Artisanal miners		2,176	713
Retained fund – Contractors		5,469	4,361
Mining contractors		2,730	2,410
Leases and licenses of IT equipment		-	1,236
Mining royalties – Law 28258	27.C	1,323	962
Electric power – Hidrandina S.A.		457	370
Special mining tax – Law 29789	27.C	1,316	972
Insurance (10)		237	212
Purchase of unbilled materials		691	636
Other		1,313	1,589
<b>Total accounts payable</b>		<b>23,674</b>	<b>21,814</b>
<b>Current portion</b>		<b>(23,319)</b>	<b>(20,432)</b>
<b>Non-current portion</b>		<b>355</b>	<b>1,382</b>

- (a) It mainly corresponds to a further income tax determination as a result of an increase in production.
- (b) As of December 31, 2019, it includes US\$ 719 thousand (2018: US\$ 1,157 thousand) corresponding to the countervailing duties payable in favor of the holder of a mining concession. The amount of the obligation at the signing date of the contract (note 10) was US\$ 3,621 thousand and the remaining balance was US\$ 708 thousand (2018: US\$ 804 thousand), which corresponds to other holders of mining concessions.
- (c) Related parties.

Transactions with key management personnel

The Company considers as key management personnel those officers with authority and responsibility for planning, directing and controlling the Company's activities. Company's key management personnel is defined as the senior management, which is composed of management and Board of Directors. As of December 31, 2019 and 2018, these personnel had received remunerations and other benefits, as follows:

<i>In thousands of U.S. dollars</i>	2019	2018
Key management	2,756	2,651
Board of Directors	8,377	6,347
	<b>11,133</b>	<b>8,998</b>

As of December 31, 2019, the outstanding balance amounts to US\$ 3,941 (2018: US\$ 3,963). As of December 31, 2019, balance of expense allowance for Board of Directors payable increased by US\$ 2,030 compared with 2018.

Such benefits are included in 'administrative expenses' and 'cost of sales' in the separate statement of profit or loss and other comprehensive income. As of December 31, 2019 and 2018, the Company did not grant loans to its key management personnel or long-term benefits to its directors.

i. Parent and ultimate controlling party

The members of the Company are legal and natural persons which hold 62.63% and 37.37% of shares, respectively.

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17. Other Financial Liabilities

As of December 31, 2019 and 2018, this caption comprises the following:

In thousands of U.S. dollars	Type of liability	Currency	Interest rate	Maturity date	Capital					
					Total					
					2019	2018	2019	2018	2019	2018
Scotiabank Perú S.A.A.	Loan	US\$	4.00%	May 2021	3,012	5,019	2,012	2,019	1,000	3,000
BBVA Banco Continental S.A.	Loan	US\$	4.05% and 4.22%	April 2022	24,588	20,084	11,224	6,084	13,364	14,000
Scotiabank Perú S.A.A.	Promissory note	US\$	1.99% to 1.99%	February 2020	11,643	11,575	11,643	11,575	-	-
Banco de Crédito del Perú S.A.	Promissory note	US\$	3.17% to 3.25%	June 2019 to September 2019	-	2,426	-	2,426	-	-
Subtotal of loans and promissory notes					39,243	39,104	24,879	22,104	14,364	17,000
Banco de Crédito del Perú S.A.	Finance leases	US\$	2.60% to 4.98%	July 2020 to August 2022	-	2,353	-	1,125	-	1,228
Scotiabank Perú S.A.A.	Finance leases	US\$	2.60% to 4.50%	February 2019 to October 2020	-	901	-	588	-	313
Banco Santander Perú S.A.	Finance leases	US\$	2.99% to 4.95%	September 2019 to September 2020	-	3,254	-	2,340	-	914
BBVA Banco Continental S.A.	Finance leases	US\$	2.75% to 4.15%	January 2019 to October 2020	-	917	-	607	-	310
Subtotal of finance leases (note 4)					-	7,425	-	4,660	-	2,765
Total					39,243	46,529	-	26,764	-	19,765

Loans have certain restrictions for the Company, which involve meeting the following covenants. As of December 31, 2019 and 2018, the Company has met them.

- (a) Maintain a hedge ratio of more than 3.0.
- (b) Maintain a leverage ratio of less than 2.5.

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The Company shall meet specific financial ratios—i.e., leverage ratio and hedge ratio. For loans from Scotiabank Perú S.A.A. and BBVA Banco Continental S.A., such ratios are determined as follows:

Ratio	Covenant	As of December 31, 2019
Hedge ratio	More than 3.0 times (EBITDA-to-interest coverage ratio)	79.42 times
Leverage ratio	More than 2.5 times (Debt-to-EBITDA ratio)	0.22 times
Debt service coverage ratio	More than 1.5 times (Debt service coverage ratio)	16.82 times
Debt ratio	Less than 2.5 times (Debt-to-EBITDA ratio)	0.22 times

The present value of minimum lease payments is as follows:

<i>In thousands of U.S. dollars</i>	Future minimum lease payments	Interest	Present value of future minimum lease payments
<b>2018</b>			
Up to 1 year	4,871	(212)	4,659
1–5 years	2,839	(73)	2,766
	<b>7,710</b>	<b>(285)</b>	<b>7,425</b>

The fair value of financial liabilities is as follows:

<i>In thousands of U.S. dollars</i>	2019	2018
Up to 1 year	25,700	27,635
1–5 years	14,804	20,654
	<b>40,504</b>	<b>48,289</b>

Loans from Scotiabank Perú S.A.A. are secured by: (i) real estate security on fixed assets and mortgages on mining concessions; and (ii) trust agreement entered into in May 2007 between the Company, La Fiduciaria S.A., Scotiabank Perú S.A.A., and the Company's legal representative. Such trust agreement is effective until loans are fully paid. The trust property is related to the Santa María I Processing Plant and Minero Pataz Empresa de Propiedad Social 1, Minero Pataz Empresa de Propiedad Social 2 and Minero Pataz Empresa de Propiedad Social 3 mining concessions.

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

	Liabilities			Equity		
	Bank loans	Lease liabilities	Issued capital	Other capital reserves	Retained earnings	Total
<i>In thousands of U.S. dollars</i>	39,104	7,425	63,924	12,785	154,481	278,079
Balance as of January 1, 2019						
Changes from cash flows from financing activities						
Loans received	12,000	-	-	-	-	12,000
Loans paid	(11,967)	-	-	-	-	(11,967)
Lease liabilities paid	-	(5,627)	-	-	-	(5,627)
Dividends paid	-	-	-	-	(34,933)	(34,933)
Total changes from cash flows from financing activities	33	(5,627)	-	-	(34,933)	(40,527)
Effects of changes in exchange rates	-	-	926	185	6,184	7,295
Changes in fair value	-	-	-	-	-	-
Other liability-related changes						
Increase in property, plant and equipment under finance lease	-	-	-	-	-	-
Other	-	3,917	-	-	-	3,917
Interest paid	2,315	2,217	-	-	(445)	4,087
Other accounts payable to related parties	(2,209)	(132)	-	-	-	2,341
Total other liability-related changes	106	6,002	-	-	(445)	5,663
Total other equity-related changes	-	-	44,586	8,917	34,531	88,034
Balance as of December 31, 2019	39,243	7,800	109,436	21,887	160,178	338,544



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	Liabilities		Equity		Total
	Loans and borrowings	Financial lease liabilities	Issued capital	Other capital reserves	
<i>In thousands of U.S. dollars</i>	32,549	6,933	46,225	9,245	239,018
Balance as of January 1, 2018					
<b>Changes in cash flows from financing activities</b>					
Increase in property, plant and equipment under finance lease	-	3,016	-	-	3,016
Cash receipts from loans	23,500	-	-	-	23,500
Loan refund	(16,973)	-	-	-	(16,973)
Lease liabilities paid	-	(4,099)	-	-	(4,099)
Other	1,546	1,704	-	-	3,250
Dividends paid	-	-	-	-	-
<b>Total changes from cash flows from financing activities</b>	<b>8,073</b>	<b>621</b>	<b>-</b>	<b>-</b>	<b>8,694</b>
<b>Effect of exchange rate changes</b>	<b>-</b>	<b>-</b>	<b>(1,833)</b>	<b>(366)</b>	<b>(11,375)</b>
Interest paid	(1,518)	(129)	-	-	(1,647)
<b>Total other liability-related changes</b>	<b>(1,518)</b>	<b>(129)</b>	<b>-</b>	<b>-</b>	<b>(1,647)</b>
Issuance of own shares	-	-	19,532	-	(19,532)
Dividend pay	-	-	-	-	(29,299)
Net profit for the year	-	-	-	-	72,688
Constitution of legal reserve	-	-	-	3,906	(3,906)
<b>Total other equity-related changes (profit or loss for the period, legal reserve, and others)</b>	<b>-</b>	<b>-</b>	<b>19,532</b>	<b>3,906</b>	<b>19,951</b>
<b>Balance as of December 31, 2018</b>	<b>39,104</b>	<b>7,425</b>	<b>63,924</b>	<b>12,785</b>	<b>278,079</b>

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18. Employee Benefits

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Vacation payable	365	291
Employees' profit sharing payable	10,843	8,265
Severance payment	252	232
<b>Total employee benefit liabilities</b>	<b>11,460</b>	<b>8,788</b>

19. Provisions

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Balance as of January 1	917	490
Additions for the year	99	508
Provisions used during the year	(265)	(81)
Effect for exchange rate	17	-
<b>Balance as of December 31</b>	<b>768</b>	<b>917</b>

20. Provision for Environmental Rehabilitation

As of December 31, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018
Balance as of January 1		9,201	9,982
Updating of fixed asset value	12	(319)	(265)
Borrowing costs	33	(355)	(314)
Disbursements		(428)	530
Effect of exchange rate		773	(835)
Balance as of December 31		8,872	9,098
Less: Current portion		(937)	(937)
<b>Non-current portion</b>		<b>7,935</b>	<b>8,161</b>

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

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

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The Company managed to renew the letter of guarantee with Banco Santander Perú S.A. with maturity on January 10, 2020, for US\$ 16,587 thousand, including sales tax, at an annual rate of 0.30%, which was granted in favor of MINEM to ensure the implementation of the mine closure plan of Poderosa Production Unit.

As of December 31, 2019, the future value of the provision for mine closure amounts to US\$ 14,724 thousand. Such amount was discounted at a risk-adjusted discount rate of 1.92% resulting in an asset at present value of US\$ 13,741 thousand (2018: US\$ 49,810 thousand discounted at 2.03% resulting in an asset at present value of US\$ 46,645 thousand). The Company considers that the liability amount recognized in the separate financial statements is sufficient to meet its obligation under the current environmental regulations approved by MINEM.

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

<i>In thousands of U.S. dollars</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Depreciation	12	392	497
Costs of upgrading the provision for environmental rehabilitation	33	355	314

21. Derivative Instruments

**Hedging agreement**  
The Company has ISDA master agreements entered into with international financial institutions—e.g., Macquarie Bank Limited, Techemet, among others—to set prices to hedge cash flows from sales. As of December 31, 2019, this type of hedging instruments resulted in a net loss on financial instruments for US\$ 5,554 thousand (2018: net gain for US\$ 2,113 thousand). As of December 31, 2019, the hedging instrument amounts to US\$ 870 thousand and is included in 'other accounts payable' in the separate statement of financial position (2018: US\$ 287 thousand). The hedging instruments mature in March 2020.

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22. Deferred Tax Liabilities

As of 2019 and 2018, this caption comprises the following:

<i>In thousands of soles</i>	<b>As of January 1, 2018</b>	<b>Credit (debit) to the separate statement of profit or loss</b>	<b>Effect of movements in exchange rates</b>	<b>As of December 31, 2018</b>	<b>Credit (debit) to the separate statement of profit or loss</b>	<b>Effect of movements in exchange rates</b>	<b>As of December 31, 2019</b>
<b>Deferred assets</b>							
Costs for mine closure	1,527	(81)	(61)	1,385	(52)	26	1,359
Employees' profit sharing payable	2,163	323	(86)	2,400	741	50	3,192
Finance leases	263	112	(10)	365	103	7	475
Provision for mine closure	298	(143)	(11)	144	(261)	-	(117)
Vacations payable	12	3	-	15	(25)	-	(11)
Provision for labor lawsuits	151	126	(6)	271	(49)	4	227
Special mining tax	831	81	(32)	879	(72)	16	822
Inventory obsolescence	50	-	(2)	48	(48)	-	-
<b>Total deferred assets</b>	<b>5,295</b>	<b>421</b>	<b>(209)</b>	<b>5,507</b>	<b>335</b>	<b>104</b>	<b>5,946</b>
<b>Deferred liabilities</b>							
Excess in amortization of intangible assets	(12,138)	(2,256)	481	(13,952)	(3,057)	(282)	(17,291)
Property, plant and equipment	(851)	(279)	34	(1,096)	(586)	(25)	(1,706)
Inventories	-	-	-	-	(88)	(1)	(89)
Cost of leased assets	(239)	(112)	9	(342)	(126)	(7)	(475)
<b>Total deferred liabilities</b>	<b>(13,228)</b>	<b>(2,686)</b>	<b>524</b>	<b>(15,390)</b>	<b>(3,858)</b>	<b>(314)</b>	<b>(19,562)</b>
<b>Deferred liabilities, net</b>	<b>(7,933)</b>	<b>(2,265)</b>	<b>315</b>	<b>(9,883)</b>	<b>(3,523)</b>	<b>(210)</b>	<b>(13,616)</b>



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Debit (credit) to profit or loss for deferred tax liabilities for the year ended December 31, was as follows:

<i>In thousands of soles</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Total at the end of the year		13,616	9,883
Total at the beginning of the year		(9,883)	(7,933)
Effect of movements in exchange rates		(1,426)	315
<b>Expenses for the year</b>	<b>27</b>	<b>2,307</b>	<b>2,265</b>

23. Issued Capital

As of December 31, 2019 and 2018, the authorized, subscribed, and paid-in capital is represented by 363,000,000 and 216,000,000 ordinary shares with a face value of S/ 1 each, respectively.

The General Stockholders' Meeting, held on March 14, 2019, approved the increase of capital stock and capitalized US\$ 44,586 thousand (S/ 147,000 thousand) of the 2016 profits. Such capitalization is registered in the National Superintendency of Public Registries (SUNARP, for its Spanish acronym)

As of December 31, 2019, the Company's ordinary shares are listed in the Lima Stock Exchange at S/ 10 per share (2018: S/ 7.36) and have a trading frequency of 93% (2018: 16%).

As of December 31, 2019, the Company' shareholding structure is as follows:

<b>Percentage of individual interests in capital</b>	<b>Number of stockholders</b>	<b>Total percentage of interests</b>
Up to 1	185	95.85%
1.01 to 5	1	0.52%
5.01 to 10	2	1.04%
More than 10	5	2.59%
	<b>193</b>	<b>100.00%</b>

24. Other Capital Reserves

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

25. Retained Earnings

The General Stockholders' Meeting, held March 14, 2019, approved the dividend distribution for US\$ 35,378 thousand (S/ 116,640 thousand) (S/ 0.54 thousand per ordinary share), debited to the 2017 and 2018 profits. Payments initiated in April 2019 and the amount was fully paid in October 2019.

The General Stockholders' Meeting, held March 14, 2018, approved the dividend distribution for US\$ 29,299 thousand (S/ 99,000 thousand) (S/ 0.66 thousand per ordinary share), debited to the 2014 and 2017 profits. Payments initiated in April 2018 and the amount was fully paid in August 2018.

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26. Employees' Profit Sharing

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

In 2019, the Company determined a current employees' profit sharing for US\$ 10,643 thousand (2018: US\$ 8,498 thousand), which was recorded in the following items:

<i>In thousands of soles</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Cost of sales	29	6,001	4,851
Selling expenses	30	16	13
Administrative expenses	31	1,666	1,311
Intangible assets	14	2,965	2,323
Effect of exchange rates		90	-
		<b>10,738</b>	<b>8,498</b>

As of December 31, 2019, the employees' profit sharing payable amounts to US\$ 11,460 thousand (2018: US\$ 8,788 thousand), which is included in 'other accounts payable' in the separate statement of financial position (note 18).

27. Tax Matters

Tax rates

- A. The Company is subject to Peruvian tax regime. As of December 31, 2019 and 2018, the corporate income tax is calculated on the basis of the net taxable income determined by the Company at a rate of 29.5%.

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

Thus, the rates applicable to corporate income tax for the last taxable years are as follows:

Until year 2014	30.0%
For years 2015 – 2016	28.0%
For year 2017 onwards	29.5%

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

For years 2019 and 2018, the income tax rate for dividend distribution and any other form of profit distribution applicable to legal persons not domiciled in Peru and to natural persons is 5.0%.

The rates applicable to income tax on dividends for the last taxable years are as follows:

Until year 2014	4.1%
For years 2015 – 2016	6.8%
For year 2017 onwards	5.0%

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

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

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

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

As of December 31, 2019, expenses for mining royalties and special mining tax amount to US\$ 4,590 thousand and US\$ 4,216 thousand, respectively (2018: US\$ 3,577 thousand and US\$ 3,133 thousand).

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

Both the latter and companies subject to such Law shall make a contribution of 0.5% of the Company's annual profit before tax to the fund. As of December 31, 2019, the contributions to the fund amount to S/ 2,060 thousand (2018: S/ 1,580 thousand).

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Income Tax Determination

- E. The Company computed its tax base for the years ended December 31, 2019 and 2018, and determined current tax for US\$ 36,636 thousand and US\$ 27,946 thousand, respectively.

Income tax expense comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>
Current		36,636	27,946
Deferred	22	2,307	2,265
Special mining tax		4,216	3,133
Effect of exchange rates		1,491	-
		<b>44,650</b>	<b>33,344</b>

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

<i>In thousands of soles</i>	<b>2019</b>		<b>2018</b>	
Profit before tax	134,509	100.00%	106,032	100.00%
Income tax (theoretical)	39,680	29.50%	31,279	29.50%
Special mining tax	4,216	3.13%	3,133	2.95%
Tax effects on additions and deductions	-	-	-	-
Permanent differences	754	0.56%	(1,068)	(1.01%)
<b>Current and deferred tax as per effective rate</b>	<b>44,650</b>	<b>33.19%</b>	<b>33,344</b>	<b>31.44%</b>

Temporary Tax on Net Assets

- F. The Company is subject to the temporary tax on net assets, whose tax base is composed of the prior periods adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2019 and 2018 and is applied to the amount of net assets exceeding S/ 1,000 thousand. It may be paid in cash or in nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable period in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable period. In the event a remaining balance is not applied, its refund could be requested. The Company determined that the temporary tax on net assets for the year 2019 amounts to S/ 4,141 thousand (2018: S/ 3,336 thousand).

Financial Transaction Tax

- G. Financial transaction tax for the years 2019 and 2018 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.



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Transfer Pricing

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

Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued income exceeds 2,300 tax units (UIT, for its Spanish acronym)); (ii) presentation of a Master File (if accrued income of the group exceeds 20,000 UIT); and (iii) presentation of a Country-by-Country Reporting (if 2017 accrued, consolidated income of the multinational group's parent company exceeds S/ 2,700,000,000 or € 750,000,000). The presentation of the Master File and the Country-by-country Reporting are mandatory for transactions corresponding to year 2017 onwards.

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

Thus, the deadline for presentation of the Local File for the taxable period 2018 shall be June 2019, in accordance with the maturity schedule agreed for May and published by the Tax Authorities.

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

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

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

As of December 31, 2019, the Company is not required to submit any of such files.

Tax Assessment

- I. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Company within the four years following the year of the tax return filing. The Company's income tax returns for the years 2016 through 2018 are open for review by the Tax Authorities. Its income tax returns for the years 2010, 2012 and 2015 are already reviewed. Also, its income tax returns for the years 2012 (July) through 2019 are open for review by the Tax Authorities.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Company. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss of the period in which they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the separate financial statements as of December 31, 2019 and 2018.

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Sales Tax Regime

- J. Legislative Decree 1347, published January 7, 2017 and effective July 1, 2017, established the possible reduction of one percentage point in the sales tax, provided that the goal of annual sales tax collection as of May 31, 2017, is reached, net of internal refunds of 7.2% of gross domestic product. In other words, if the aforementioned is met, the sales tax rate (including the municipal tax) shall be reduced from 18% to 17%.

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

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

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

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

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

- L. **Thin capitalization:** From 2019 to December 31, 2020, borrowing costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 UIT, infrastructure, public utilities, among others.

- M. **Sixth Method:** Under the sixth method, the related party transactions of exporters and/or importers of commodities and semi-commodities have to be priced at the quoted price in the market (market price), provided that such quoted price is higher than the price agreed upon by the parties to the transaction, in compliance with certain requirements of timely reporting— i.e., contract, incoterm, commodity type, unit of measurement, quantity, stock exchange, refinery costs, premiums, discounts, among others—to the Tax Authorities. Otherwise, for exports, the market price is the quoted price in force at the date of loading the goods and, for imports, the quoted price in force at the date of unloading the goods. The Sixth Method for determining the market value does not abolish the implementation of the new accrual concept for recognizing revenue from exports. Accordingly, an entity shall assess the financial and tax consistency of revenue recognition by reviewing and/or adjusting such policy to the new concept in order to avoid, for tax purposes, early revenue recognition or its undue deferral. A reconciliation of the financial treatment to the tax treatment is required.

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

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

- O. **Indirect loan:** From January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that taxed the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.
- P. **Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:** Legislative Decree 1422 sets up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012, are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of Tax Authorities' officers (such opinion is not appealable); and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a one (01) year term to request information from the audited parties.

Likewise, as of the date of preparation of this note, the General Anti-avoidance Rule is not effective until the issuance of the relevant supreme decree setting the formal and substantial parameters of Regulation XVI of Tax Code.

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

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

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

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

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

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

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

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

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

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

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

28. Revenue

A. Revenue streams

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

<i>In thousands of U.S. dollars</i>	2019	2018
Revenue from contracts with customers (a)	442,602	357,924
Participation	(8,078)	(5,100)
<b>Total revenue</b>	<b>434,524</b>	<b>352,824</b>

- (a) The fixed price is subject to a future settlement according to business contracts entered into with customers. It usually ranges from 3 to 4 days after delivery of the ore concentrate to the customer. Final adjustment is based on market prices established in the business contract. As of December 31, 2019, the balance of adjusted prices amounts to US\$ 1,524 thousand (2018: US\$ 54 thousand).



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

	2019	2018
Gold (US\$ / oz)	1,404	1,268
Silver (US\$ / oz)	16	16

B. Contract balances

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

<i>In thousands of U.S. dollars</i>	2019	2018
Contract assets (a)	2,901	1,903
	2,901	1,903

(a) It corresponds to accounts receivable for revenue from contracts with customers (note 7).

29. Cost of Sales

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Beginning inventory of finished goods	9	5,220	5,930
Beginning inventory of work-in-progress		295	381
Production cost (*)		260,588	216,689
Supervisory Agency for Investment in Energy and Mining of Peru (OSINERGMIN) and OEFA		1,060	894
Ending inventory of finished goods	9	(7,085)	(5,220)
Ending inventory of work-in-progress	9	(253)	(295)
		259,825	218,379

(\*) The production cost mainly comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Artisanal miners		84,009	65,139
Amortization	14	51,795	43,305
Cleaning up of camps and metalworking		37,020	23,943
Mining activities – contractors		16,669	17,246
Personnel expenses	32	13,729	13,587
Use of materials and supplies		12,042	10,346
Transportation and storage		10,946	9,926
Depreciation	12 & 13	8,846	8,098
Employees’ profit sharing	26	6,001	4,851
Lease of machinery and equipment		5,511	5,130
Electric power		2,401	2,138
Security services		3,202	3,009
Civil construction activities – contractors		2,067	2,438
Sampling and analysis		1,419	1,252
Repair and maintenance services		1,999	2,253
Advisory and consulting services on geology, mine and plant		1,009	1,033
Landline and mobile phones, Internet and satellite link		229	244
Software license expenses		289	276
Other		1,405	2,475
		260,588	216,689

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30. Selling Expenses

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Third party services		982	856
Personnel expenses	32	42	41
Depreciation	12 & 13	11	10
Employees’ profit sharing	26	16	13
Other		39	48
		1,090	968

Third party services mainly include land and air transportation for the sale of gold bullion, as well as overseas refinery costs.

31. Administrative Expenses

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	Note	2019	2018
Personnel expenses	32	12,846	10,691
Employees’ profit sharing	24	1,666	1,311
Third party services (*)		5,213	4,147
Sundry administrative expenses (**)		7,506	6,727
Mining royalties – Law 29788	27.C	4,590	3,577
Provision for litigations		1,773	1,241
Depreciation	12 & 13	1,006	985
Other		189	160
		34,789	28,839

(\*) Third party services mainly comprise the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Advisory and consulting services	1,911	1,483
Land and air transportation of employees	458	428
Environmental management	783	336
Lease of offices	27	17
Lease of equipment	471	401
Security services	252	235
Satellite link, landline and mobile phones	105	115
Room and board	153	123
Electric power	82	69
Bank expenses	134	102
Other services	837	838
	5,213	4,147

(\*\*) It mainly comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
Insurance	2,780	2,368
Expenses for donations	3665	3,888
Other services	1,061	471
	7,506	6,727

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32. Personnel Expenses

This caption comprises the following:

		Cost of sales (note 29)		Selling expenses (note 30)		Administrative expenses (note 31)	
<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018	2019	2018	2019	2018
Wages	16.B	6,919	6,850	26	26	2,541	2,469
Social security contributions		2,077	2,108	4	4	427	414
Legal bonuses		1,169	1,223	5	4	450	430
Other personnel expenses		1,304	1,308	-	2	292	376
Other benefits		1,003	888	2	-	258	191
Severance payment		686	676	3	3	266	258
Holidays		571	534	2	2	235	206
Remuneration to Board of Directors	16.b	-	-	-	-	8,377	6,347
		13,729	13,587	42	41	12,846	10,691

33. Finance Income and Borrowing Costs, Net

This caption comprises the following:

<i>In thousands of U.S. dollars</i>	<i>Note</i>	2019	2018
<b>Finance income</b>			
Interest on time deposits		260	200
Loan interest		77	96
Exchange gains		-	-
Gain on derivative instruments		-	2,113
		377	2,409
<b>Borrowing costs</b>			
Exchange losses		-	-
Loss on derivative instruments (a)		(5,554)	-
Interest on short-term and long-term loans and leases		(1,944)	(1,225)
Interest on financial liabilities discounts		(79)	(79)
Market value expenses		(84)	(52)
Costs of upgrading the provision for environmental rehabilitation	20	(355)	(314)
Other		(186)	(213)
		(8,202)	(1,883)

(a) Derivative instruments aim to hedge the risk that arises from changes in the price of the commodity (gold) to which the Company is exposed in order to secure its profit or loss. As of December 31, 2019 and 2018, it resulted in gains and losses, respectively.

34. Earnings Per Share

Earnings per ordinary share are as follows:

<i>In thousands of U.S. dollars</i>	2019	2018
<b>Profit attributable to the year</b>	<b>88,034</b>	<b>72,688</b>
Denominator		
Outstanding shares	363,000	216,000
<b>Earnings per ordinary share (in soles)</b>	<b>0.243</b>	<b>0.337</b>

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35. Other Income and Expenses

As of December 31, 2019 and 2018, this caption comprises the following:

<i>In thousands of U.S. dollars</i>	2019	2018
<b>Other income</b>		
Revenue from sale of materials	25	8
Lease of property, plant and equipment	2,045	901
Gain on sale of fixed assets	57	48
Other income	25	30
	2,152	987
<b>Other expenses</b>		
Cost of disposal of fixed assets	(463)	(119)
<b>Earnings per ordinary share (in soles)</b>	<b>(463)</b>	<b>(119)</b>

36. Environmental Commitment

The Company's activities are regulated by the Consolidated Text of the General Mining Law approved through Supreme Decree 014-92-EM; Law 28611 "General Environmental Law" which abolishes the Environment and Natural Resources Code approved through Legislative Decree 613; and Regulation on Environmental Protection and Management for Mining Activities including Operations, Profits, General Work, Transportation and Storage approved through Supreme Decree 040-2014-EM.

In compliance with such regulations, the Company has carried out Environmental Impact Assessments according to its Environmental Adjustment and Management Program (PAMA, for its Spanish acronym), which was submitted to MINEM on July 31, 1996, and approved on March 27, 1997, through Directorial Resolution 129-97 EM/DGM for US\$ 1,360 thousand. On September 21, 1999, the Company submitted an amendment to its PAMA, which was approved through Directorial Resolution 41-2001EM/DGAA on February 8, 2001 for US\$ 1,571 thousand. Its execution term is until December 31, 2001.

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

As of December 31, 2018, investment expenses and maintenance and monitoring costs of the 18 PAMA projects, which correspond to the fourth quarter of 2018, amounted to US\$ 477 thousand in the Poderosa Production Unit and accrued expenses amounted to US\$ 1,372 thousand. Regarding the fourth quarter of 2018, environmental management expenses amounted to US\$ 1,125 thousand in Poderosa de Trujillo, Libertad, Suyubamba, Lavasen, Condormarca and Montañitas Economic Administrative Units. As of December 31, 2018, accrued expenses amounted to US\$ 4,493 thousand. As of December 31, 2017, PAMA and environmental management accrued expenses amounted to US\$ 5,865 thousand.



Compañía Minera Poderosa S.A.  
Notas a los Estados Financieros Separados  
31 de diciembre de 2019 y de 2018

El incremento por el ajuste de precio del oro es generado básicamente por el aumento del precio y la producción durante el período, respecto del año anterior:

	2019	2018
Oro (US\$ / oz)	1,404	1,268
Plata (US\$ / oz)	16	16

B. Saldos del contrato

El siguiente cuadro presenta información sobre cuentas por cobrar del contrato con clientes:

En miles de soles	2019	2018
Activo del contrato (a)	9,622	6,432
	9,622	6,432

(a) Corresponde a las cuentas por cobrar por ingresos de actividades procedentes de contratos con clientes (nota 7).

29. Costo de Ventas

Comprende lo siguiente:

En miles de soles	Nota	2019	2018
Inventario inicial de productos terminados	9	17,640	19,242
Inventario inicial de productos en proceso		996	1,237
Costo de producción (*)		865,776	709,589
Osinerghmin y OEFA		3,549	2,942
Inventario final de productos terminados	9	(23,626)	(17,640)
Inventario final de productos en proceso	9	(844)	(996)
		863,491	714,374

(\*) El costo de producción comprende principalmente lo siguiente:

En miles de soles	Nota	2019	2018
Mineros artesanales		280,551	214,059
Amortización	14	170,492	141,247
Limpieza de campamentos y metal mecánica		123,652	78,751
Contratistas labores mineras		55,807	56,703
Gastos de personal	32	45,864	44,656
Consumo de insumo y suministros		40,169	33,904
Transporte y almacenamiento		36,566	32,673
Depreciación	12 y 13	27,609	24,972
Participación a los trabajadores	26	20,079	15,964
Alquiler de maquinaria y equipos		18,430	16,879
Energía eléctrica		8,027	7,037
Servicio de seguridad		10,692	9,898
Contratistas de construcción civil		6,902	8,012
Muestreo y análisis		4,732	4,123
Mantenimiento y reparación		6,679	7,406
Asesoría y consultoría geología, mina y planta		3,368	3,393
Teléfono fijo, móvil, internet y enlace satelital		766	802
Gastos licencia de Software		966	579
Otros menores		4,425	8,531
		865,776	709,589

Compañía Minera Poderosa S.A.  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

On November 4, 2019, the Company received Tax Court Resolution 09780-1-2019, dated October 25, 2019, revoking Resolution 0150140010367, dated June 28, 2012, submitting an objection for the installation of a water pipeline in the Zarumilla community and an objection for over-depreciated exploration expenditures – additions of years 2007, 2008 and 2009 (contingent); as well as Fine Resolution 012-002-0019173, maintaining the objections regarding the donations for the improvement of the Chagual Bridge and the inappropriate amortization for the expansion of tailings dams in the Santa María Production Unit.

To date, the Tax Authorities have not yet issued the Resolution for compliance with settlement of objections in accordance with the provisions of the Tax Court.

iii. Tax proceeding: 2010 income tax – Files 3713-2017 and 6716-2018

Through Requirement 0122130002404, dated September 17, 2013, the Tax Authorities began the 2010 income tax audit.

On November 23, 2015, the Company received Tax Assessment and Fine Resolutions for US\$ 1200 thousand (S/ 4,010 thousand) and US\$ 1,685 thousand (S/ 5,630 thousand), respectively, for the adjustment of payments of 2010 income tax stating various objections.

On December 22, 2015, the Company filed a claim against such objections under Claim File 0150340014337.

On February 6, 2017, the Company received Resolution 0150140013039, declaring groundless the claim filed by the Company for down payments and related fines.

Tax Assessment Resolution 0120030064043 and Fine Resolution 0120020026838 were also declared groundless.

On February 22, 2017, the Company filed an appeal against Resolution 0150140013039 (Appeal File 0150350009271), which was given to the First Chamber of the Tax Court (File 3713-2017).

On July 19, 2017, the Company received Tax Assessment and Fine Resolutions for the adjustment of payments of 2010 income tax. The Company filed the corresponding claim.

On April 11, 2018, the Company received the Resolution 0150140014062, declaring groundless the claim filed.

On May 2, 2018, the Company filed an appeal against Resolution 0150140014062 (2010 income tax determination), which was given to the Fourth Chamber of the Tax Court (File 6716-2018).

Such appeal is at the First Chamber of the Tax Court and is pending resolution (File 3713-2017). On September 12, 2019, the oral report was made and on September 17, 2019 the corresponding oral arguments were presented.

On November 4, 2019, the Company received Tax Court Resolution 09781-1-2019, dated October 25, 2019, revoking Resolution 0150140013039, dated December 30, 2016, requiring the Tax Authorities to repay the down payments of income tax from March to December 2010, in accordance with the Tax Court decision regarding the 2009 income tax determination (Tax Court Resolution 09780-1-2019).

On December 4, 2019, the oral report was made before the Fourth Chamber of the Tax Court and on December 9, 2019, the corresponding oral arguments were presented. To date, it is pending resolution.

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**iv. Tax proceeding: 2011 income tax**

Through Requirement 0122150002962, dated October 22, 2015, the Tax Authorities notified the beginning of the 2011 partial income tax audit.

On June 10, 2016, the Company received Tax Assessment Resolution 012-003-0073122 and Fine Resolution 012- 02-0028536 from the Tax Authorities.

On July 6, 2016, the Company filed a claim under File 0150340014855, which is pending resolution.

**v. Tax proceeding: 2012 income tax – File 18995-2015**

Through Letter 130011423740-01/SUNAT, dated December 27, 2013, the Tax Authorities notified the beginning of the 2012 income tax audit.

On January 8, 2015, the Company received Tax Assessment Resolution 012-003-0054725 for the adjustment of payments of 2012 income tax, stating the following objections: (i) unlicensed advisory and consulting services; (ii) stockpiles not recognized as work-in-progress or performance bonus recognized as donations; and (iii) adjustments for temporary objections of 2009 income tax audit for US\$ 491 thousand (S/ 1,639 thousand).

On February 5, 2015, the Company filed a claim against Tax Assessment Resolution 012-003-0054725 for the adjustment of payments of 2012 income tax.

On November 26, 2015, the Company received Resolution 0150140012135, declaring groundless the claim filed under File 0150340013790, dated February 5, 2015.

On December 18, 2015, the Company filed an appeal against the aforementioned Resolution (File 0150350008605), which was signed under File 18995-2015 and given to the Third Chamber of the Tax Court. To date, it is pending resolution.

**vi. Tax proceeding: 2010 sales tax – File 7616-2017**

On June 10, 2016, the Company received Tax Assessment and Fine Resolutions for self-employment tax of periods from January to December 2010, stating the following objections: (i) advisory and consulting services (for US\$ 24 thousand); and (ii) undue tax credit on the payment to the Compañía Minera La Montañita S.A.C. (for US\$ 32 thousand).

On July 6, 2016, the Company filed a claim against such amounts under Claim File 0150340014855.

On May 11, 2017, the Company received Resolution 0150140013241, declaring groundless the claim filed.

On June 1, 2017, the Company filed an appeal against Resolution 0150140013241 under Appeal File 0150350009486). Such appeal was given to the Fourth Chamber of the Tax Court and is pending resolution (File 7616-2017).

On July 1, 2019, the Company received Tax Court Resolution 04932-4-2019, dated May 28, 2019, revoking Resolution 0150140013241 submitting an objection for unrecorded advisory and consulting services rendered by Acs. Consultores y Asesores Asociados S.R.L., and the related fine. It also reverses Fine Resolutions 012-002-0028492, 012-002 -0028495, 012-002-0028497 and 012-002-0028498, and upholds Resolution 0150140013241, considering as a donation the provision of US\$ 200,000.00 plus sales tax, since such payment was not included in the mining concession agreement, so the objection is still valid. Likewise, the Tax Court decided the Tax Authorities must repay the determination included in the challenged Resolution.

Through Resolution 0150150002153, dated October 10, 2019, the Tax Authorities complied with the Tax Court decision and the debt was paid by the Company.

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**vii. Tax proceeding: 2016 income tax – Appeal File 12700-2018**

On April 16, 2018, the Company received Payment Order 011-001-0123057 for an alleged omission in the adjustment of payments of 2016 income tax.

The Payment Order did not considered the payment made in June 2016 with the unused balance of the Certificate of Regional and Local Public Investment 0141 for US\$ 80 thousand (S/ 267 thousand) in 'other credits permitted by law,' thus this amount was considered as not paid.

On April 26, 2018, the Company filed a claim against such amounts under Claim File 0150340016311.

On August 10, 2018, the Company received Resolution 015-014-0014257, declaring groundless the claim filed.

On August 29, 2018, the Company filed an appeal, which was given to the Ninth Chamber of the Tax Court (File 12700-2018).

On July 11, 2019, the Company received Tax Court Resolution 05958-9-2019, dated July 1, 2019, confirming that the Company applied the unused balance of the Certificate of Regional and Local Public Investment 0141, partially used in May 2016, against the down payment of income tax of June 2016. Therefore, the tax assessment is not subject to the law, thus revoking Resolution 0150140014257 and reversing Payment Order 011-001-0123057.

**viii. 2014 income tax audit**

Through Letter 084-2019/SUNAT/7D0300, dated January 28, 2019, the Tax Authorities began the 2014 income tax audit.

On March 12, 2019, the Company provided the information on magnetic media in accordance with the request for presentation of documents related to the income tax of such year, which is pending.

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

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

The objections made by the Tax Authorities correspond to: (i) stockpiles not recognized as work-in-progress for US\$ 1,634 thousand (S/ 5,460 thousand); (ii) inappropriate deduction for depreciation of unrecorded fixed assets for US\$ 308 thousand (S/ 1,028 thousand); (iii) inappropriate deduction for depreciation of unrecorded fixed assets for US\$ 67 thousand (S/ 224 thousand); and (iv) undocumented employees’ profit sharing for US\$ 13 thousand (S/ 43 thousand).

On December 27, 2019, the Company filed a claim under File 0150340017571. To date, it is pending resolution.

**x. Tax proceeding: 2015 mining royalties**

On August 1, 2019, the Company received Tax Assessment Resolutions 012-003-0105910, 012-003-0105911, 012-003-0105912 and 012-003-0105913, regarding the adjustment of mining royalties of the periods from March 2015 to December 2015, arising from a final audit. Such Resolutions do not rule any debt.

To date, the claim is pending filing.



**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

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

On October 31, 2019, the Company received Tax Assessment Resolutions 012-003-0107555 for US\$ 150 thousand (S/ 502 thousand); 012-003-0107556 for US\$ 65 thousand (S/ 217 thousand); 012-003-0107557 for US\$ 83 thousand (S/ 277 thousand) and 012-003-0107558 for US\$ 27 thousand (S/ 91 thousand), regarding the adjustment of mining royalties of the periods from March 2015 to December 2015, as well as Fine Resolutions 012-002-0033072 for US\$ 75 thousand (S/ 251 thousand); 012-002-0033073 for US\$ 33 thousand (S/ 109 thousand); 012-002-0033074 for US\$ 41 thousand (S/ 138 thousand) and 012-002-0033075 for US\$ 14 thousand (S/ 46 thousand), regarding an alleged commission of an offense under Article 178 (1) of the Tax Code.

On November 28, 2019, the Company filed a claim under File 0150340017479. To date, it is pending resolution.

***xii. Adversary Administrative proceeding: Request for recognition of balance in favor of the exporter (balance in favor of benefit matters – SFMB) – Tax Court Resolution 03787-1-2019 – File 08500- 2019-0-1801-JR-CA-19***

On December 17, 1992, the Company (associate) entered into a joint venture agreement with Minero Pataz Empresa de Propiedad Social (associate) in order carry out exploitation and exploration activities in Minero Pataz 1 Empresa de Propiedad Social and Pataz 2 Empresa de Propiedad Social mining concessions.

On January 12, 1996, Minero Pataz Empresa de Propiedad Social transferred its mining rights (mining concessions) to Inversiones Mineras Tarata S.A.

On November 14, 1996, through a merger by absorption, Inversiones Minera Tarata S.A. was absorbed by Minera AV S.A.

On June 17, 1998, through a public deed of transfer of mining rights, Minera AV S.A. transferred to the Company Minero Pataz Empresa de Propiedad Social 1, Minero Pataz Empresa de Propiedad Social 2, Minero Pataz Empresa de Propiedad Social 3 and Minero Pataz Empresa de Propiedad Social 4 mining concessions.

On October 25, 2002 the Company requested the Tax Authorities to recognize the balance in favor of the exporter for US\$ 525 thousand (S/ 1,755 thousand), corresponding to the joint venture.

Since the term for the Tax Authorities to respond to such request expired, the Company filed a claim against the tacit decision to reject the aforementioned refund, indicating that the transfer of the mining concessions to the Company corresponds to a takeover, including the production unit that was made up by such concessions.

However, the Tax Authorities consider that the transfer of the mining concessions cannot be considered as a takeover, since the parties intended to transfer the mining concessions and not a business unit.

Tax Court Resolution 03787-1-2019 indicates that there was no corporate restructuring or takeover, so the Company could not request the recognition of the aforementioned the balance in favor of the exporter.

On August 1, 2019, the Company filed a claim before the Judiciary against Resolution 03787-1-2019 in order to recognize the refund of US\$ 528 thousand (S/ 1,765 thousand).

Such claim was given to the 19th Tax Court (File 08500-2019-0-1801-JR-CA-19). Resolution 1, dated August 26, 2019, granted leave to proceed with the claim. On September 16 and 18, 2019, the Tax Authorities and Tax Court responded to the claim.

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**B. Legal proceedings**

As of December 31, 2019, there are several claims against the Company pending resolution. Such claims require the payment of: a) nullity of an administrative decision for US\$ 431 thousand (S/ 1,439 thousand); and b) fringe benefits and compensation for breaches of employment rights to former employees of the Company and contractors for US\$ 5,346 thousand (S/ 17,861 thousand).

**C. Warranties**

As of December 31, 2019, the Company has the following letters of guarantee and lease guarantees:

- The Company managed to renew the letter of guarantee with Banco Santander Perú S.A. with maturity on January 10, 2020, for US\$ 16,587 thousand, including sales tax, at an annual rate of 0.30%, which was granted in favor of MINEM to ensure the implementation of the mine closure plan of Poderosa Production Unit.
- The Company managed to issue the letter of guarantee with Scotiabank Perú S.A.A. with maturity on November 3, 2020, for US\$ 209 thousand at an annual rate of 0.55%, which was granted in favor of MINEM to ensure the execution of the projects "138 kv transmission lines in the Lagunas Norte Nueva, LPC II, Cativen I and Cativen II Substations" and "60 kv transmission lines in the LPC II and LPC I Substations."
- The Company managed to issue the letter of guarantee with Scotiabank Perú S.A.A. with maturity on January 16, 2020, for US\$ 16 thousand (S/ 54 thousand) at an annual rate of 0.35%, which was granted in favor of the Regional Government of La Libertad to ensure the execution of the project "Construction of a sprinkler irrigation system in the Sol Naciente Campesino community."
- The Company managed to renew the letter of guarantee with Scotiabank Perú S.A.A. with maturity on March 3, 2020, for US\$ 155 thousand at an annual rate of 0.55%, which was granted in favor of MINEM to ensure the execution of the project "V9D transmission lines in the Nueva Ramada Substation."
- The Company managed to renew the letter of guarantee with Scotiabank Perú S.A.A. with maturity on April 19, 2020, for US\$ 546 thousand (S/ 1,825 thousand) at an annual rate of 0.35%, which was granted in favor of MINEM to ensure the execution of the hydroelectric project for utilization of the water from Lavasen and Quishuar river basins – Cativen I and II Hydroelectric Stations.
- The Company managed to issue the letter of guarantee with Scotiabank Perú S.A.A. with maturity on December 13, 2020, for US\$ 54 thousand (S/ 180 thousand) at an annual rate of 0.5%, which was granted in favor of the District Municipality of Pataz to ensure the execution of the project "Establishment of a Municipal Library in the Pataz community."
- The Company managed to issue the letter of guarantee with Scotiabank Perú S.A.A. with maturity on October 18, 2020, for US\$ 14 thousand (S/ 46 thousand) at an annual rate of 0.55%, which was granted in favor of the District Municipality of Pias to ensure the execution of the project "Rendering of electrical services through 22.9 kV primary and secondary transmission lines to the Alacoto, Pamparacra and Pucuchuyo villages, District of Pias, Province of Pataz, Department of La Libertad."
- To date, the Company has lease guarantees with Scotiabank Perú S.A.A. for US\$ 653 thousand.

**Compañía Minera Poderosa S.A.**  
Notes to the Separate Financial Statements  
December 31, 2019 and 2018

**H. Commitments**

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

**38. Subsequent Events**

No material events or facts that may require adjustments or disclosure in the financial statements as of December 31, 2019 have occurred between January 1, 2019 and the reporting date (January 31, 2020).

**Compañía Minera Poderosa S.A.**  
Appendix  
December 31, 2019 and 2018

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

**Resources and reserves**

The following tables provide information on the Company's resources as of December 31, 2019 and 2018:

A. As of December 31, 2019 and 2018, the Company's mineral resources are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2019	1,432,743	16.71 g/gold	23,939
Year 2018	1,344,904	17.00 g/gold	22,861

As of December 31, 2019 and 2018, the processed ore, precipitated mineral and the corresponding ore grades are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2019	554,857	19.17 g/gold	9,767
Year 2018	500,187	19.12 g/gold	8,695

B. As of December 31, 2019 and 2018, the Company's mineral reserves are as follows:

	Metric tons	Ore grade	Fine content (kg)
Year 2019	1,255,463	17.47 g/gold	21,931
Year 2018	1,145,511	18.09 g/gold	20,722

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

Ounces	2019	2018
Production	314,023	279,537
Sale	312,413	279,543





PART EIGHT

# **INDEPENDENT EXTERNAL VERIFICATION**





External Verification Letter–  
Poderosa Sustainability Annual Report

Lima, August 24<sup>th</sup>, 2020

**Compañía Minera Poderosa S.A.**  
Santiago de Surco  
Lima.-

Through this letter, Responde carries out external verification to confirm that Company Minera Poderosa’s Sustainability Annual Report 2018 (hereinafter "the Report") has been prepared under the Global Reporting Initiative (GRI) Standards in its Core option.

This verification is based on:

1. Reading and analysis of the Report according to the "Reporting Principles" for the definition of the content and its quality described in "GRI 101: Fundamentals" of the GRI Standards.
2. Exhaustive verification of the GRI index and compliance with the Universal Standars, Management approach disclosures and Topic-specific disclosures.
3. Identification of strengths and opportunities for improvement in the reporting process and deployment of the contents.
4. Issuance of comments and pertinent recommendations to resolve them.
5. Review of the final version of the Report.

In the following paragraphs we describe the analysis and the recommendations for future Sustainability Reports:

**A. Elements that define the content of the report**

The Report describes the materiality review process carried out in 2019, whose main input was the materiality analysis of 2014. The list of materiality issues is maintained. During 2020 they will validate the materiality matrix with the company's stakeholders. According to the GRI Standard 101: Using the GRI Standards for sustainability reporting, an opportunity for improvement is to prioritize the material topics and report the validated matrix in the next report instead of a thematic list.

**B. Elements that define the quality of the report**

The Report adequately presents the goals achieved and lessons learned to improve its management. This information can be contrasted with previous Reports because it provides systematized data that indicates the evolution of the company's performance. The emphasis on the issue of occupational health and safety is highlighted.

**C. In compliance with Universal Standars and Management Approaches disclosures and Topic-specific disclosures:**



The Report complies with the principles of the GRI Standards for using the GRI Standards for sustainability reporting, including those referring to the definition of content and those related to the quality of the document.

The General disclosures of the Report is developed under the GRI Standards: Core option report. Also, the document establishes the Topic-specific disclosures according to the materiality analysis, which includes the following topics:

- |                                    |  |
|------------------------------------|--|
| • Economic performance             | • Mine closure plan                    |
| • Operation management: production | • Forestation                          |
| • Occupational health and safety   | • Participatory monitoring             |
| • Materials management             | • Labor practices and decent work      |
| • Water management                 | • Relationships with local communities |
| • Emissions management             | • Formalization of artisanal mining.   |
| • Energy management                | • Suppliers                            |
| • Respect for biodiversity         |  |

This Report presents extensive information on management indicators at the economic, social and environmental dimensions. This allows the stakeholders to deeply understand the overall company's performance. Regarding its Corporate Governance, there is sufficient information about the professional history of its directors and senior officers.

**D. Improvement opportunities for future processes and publication of reports**

Regarding the opportunity for improvement, it is suggested to report the requirements of Standard GRI 103: Management approach for the material topics with greater importance or prioritization. According to the reporting principles, not all material topics are equally important and the emphasis within a report is expected to reflect their relative priority.

**E. Relevant recommendations**

- As a GRI recommended practice, the reported contents must be referenced in a maximum of 3 pages. It is recommended to assess the order and dispersion of the contents throughout the report. Presenting the material topics' Disclosure GRI 103: Management approach at the beginning of the chapter would allow a rapid reading and a better understanding. It is also recommended to disclose the Report closer to the end of the reported year.
- Although there is ample information on the management of the company, the selection of information must be precise to respond to the indications







established in the Thematic Contents. It is suggested to pay attention to the Recommendations, Guidelines of the Standards, and the Requirements (mandatory instructions for each Thematic Content).

- If the company decides to report on taxes in the following report, it is recommended to use the new Standard (2019 version) GRI 207: Tax.

**F. Final review of the report**

The company has made the suggested changes in terms of adding the description of internal processes, annotation in figures, calculation methodology used, and detailing the impacts of the different initiatives carried out. Finally, as part of the recommendations to be addressed in next year's report, the order of the GRI content index will be improved based on material topics and the documentation currently under preparation will be added.

It should be noted that Responde has not participated in the preparation of this Report.

Having said this, we confirm that Company Minera Poderosa Sustainability Annual Report 2019 has been prepared in accordance with the GRI Standards in its Core option.

Sincerely,

Jorge Melo Vega Castro  
President

About **Responde**  
We are a consulting company with 15 years of experience, which works with organizations in the main sectors of the Peruvian economy intending to encourage companies to integrate sustainable management into their strategy and operations and establish trust relationships with their stakeholders.



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PART NINE

# **GRI STANDARDS CONTENT INDEX**





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In this way, we help to protect and maintain biodiversity and the forests' ecologic processes, besides showing our respect for the communities.



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