Form 51-102F4

Business Acquisition Report

Item 1 – Identity of Company

1.1 Name and Address of Company

Cerro de Pasco Resources Inc. (the "**Company**" or "**CDPR**")
22 Lafleur Nord, Suite 203
Saint-Sauveur, Québec J0R 1R0

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the Acquisition (as defined herein) and this report and may be contacted respecting the Acquisition and this report:

Guy Goulet, Chief Executive Officer
Telephone: 1-514-294-7000

Item 2 – Details of Acquisition

2.1 Nature of Business Acquired

On December 3, 2021, the Company completed the acquisition of all of the outstanding common shares of Trevali Peru S.A.C. ("**Trevali Peru**"). The acquisition of Trevali Peru (the "**Transaction**") was completed pursuant to a share purchase agreement between the Company and Trevali Mining Corporation, an arm's-length party to the Company, entered into on November 5, 2021 (the "**Share Purchase Agreement**"). A copy of the Share Purchase Agreement was filed under the Company's SEDAR profile at www.sedar.com.

Trevali Peru is a Peruvian entity whose main asset is the Santander Mine, located in Peru and comprising an underground mine, a 2,000-tonne-per-day processing mill, a conventional sulphide flotation mill, and associated infrastructure.

Further information regarding the Transaction and Trevali Peru's business and assets is included in the Company's technical report prepared by DRA Global Limited and titled "*Cerro de Pasco Resources - NI 43-101 and Resource Estimate Update for Santander Mine Magistral and Pipe Deposits, Huaral, Department of Lima, Peru*" dated January 24, 2022, with an effective date of December 31, 2021, a copy of which is available under CDPR's profile at www.sedar.com.

2.2 Acquisition Date

December 3, 2021.

2.3 Consideration

As a result of the completion of the Transaction, Trevali Peru became a wholly owned subsidiary of CDPR. The aggregate consideration paid by CDPR for the acquisition of Trevali Peru consisted of:

(i) a cash payment in the amount of CA $1,000,000 at closing;

(ii) the issuance, at closing, of 10,000,000 common shares of CDPR, valued at CA $0.355 per share (CA $3,550,000);

(iii) a net smelter royalty equal to 1% on all new deposits beyond those resources currently defined at the Magistral and Santander Pipe deposits; and

(iv) a additional cash payment of US 2,500,000, on or before January 9, 2023, in the event that, for the period beginning on January 1, 2022 and ending on December 31, 2022 (inclusive), the average official spot price for zinc on the London Metal Exchange is equal to or greater than US $1.30 per pound.

2.4 Effect on Financial Position

The Company does not presently have any plans or proposals for any other material changes in its business affairs or the affairs of Trevali Peru which may have a significant effect on the financial performance or position of the Company, including any proposal to liquidate the business of the Company or Trevali Peru, to sell, lease or exchange all or a substantial parts of its assets, to amalgamate with any other business organization or to make any other material changes to the business of the Company or Trevali Peru.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The Transaction is not transaction with an informed person, associate or affiliate of the Company.

2.7 Date of Report

February 18, 2022.

Item 3 – Financial Statements and Other Information

The following financial statements included in this report are as follows:

i. attached as Schedule “A” are the audited annual consolidated financial statements of Trevali Peru for the years ended December 31, 2020 and 2019; and

ii. attached as Schedule “B” are the unaudited interim financial statements of Trevali Peru for the nine-month periods ended September 30, 2021 and 2020.

The Company has not requested or obtained the consent of PricewaterhouseCoopers International Limited to include their auditor’s report into this business acquisition report, as permitted under National Instrument 51-102 – Continuous Disclosure Obligations.

Schedule "A"

See attached.

TREVALI PERU S.A.C.

FINANCIAL STATEMENTS
DECEMBER 31, 2020, AND DECEMBER 31, 2019

TREVALI PERU S.A.C.

FINANCIAL STATEMENTS
DECEMBER 31, 2020, AND DECEMBER 31, 2019

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US$ = American dollar
S/ = Sol

INDEPENDENT AUDITORS' OPINION

To the Shareholders
Trevali Perú S.A.C.

April 8, 2021

We have audited the accompanying financial statements of **Trevali Perú S.A.C.** (a subsidiary company of Trevali Mining Corporation), which comprise the statements of financial position through December 31, 2020 and 2019; and the statements of comprehensive income, changes in equity and cash flow for the years ending on those dates; as well as a summary of significant accounting policies and other explanatory notes attached from 1 to 24.

Management responsibility for financial statements

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

Auditor responsibility

Our responsibility is to express our opinion on these financial statements based on our audits. We conducted our audits in accordance with International Financial Reporting Standards approved for implementation in Peru by the Council of Deans of Peruvian Public Accountant Associations. These Auditing Standards require that we comply with relevant ethical requirements, and plan and perform the audit to obtain reasonable assurance that financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements mentioned above give a fair view, in every significant aspect, of the financial position of **Trevali Perú S.A.C.** as of December 31, 2020 and 2019, and of its performance and cash flows for the respective fiscal years that ended on those dates, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis on one matter

We call attention to Note 1.5 to the financial statements, in which management plans are disclosed for the Company's operational continuity and to improve their financial condition as of December 31, 2020. The accompanying financial statements do not include any adjustment whatsoever that may result from the final resolution of such plans. Our opinion is not qualified on this matter.

Countersigned by

---(partner)
Fernando Gaveglio
Certified Public Accountant
License No. 01-019847

STATEMENT OF FINANCIAL POSITION

	Note	As of December 31 2020 US$000	2019 US$000
ASSETS			
Current assets			
Cash and cash equivalents	6	5 526	2 592
Trade accounts receivable from related parties	7	8 084	1 422
Other accounts receivable:			
- Third parties		621	270
- Related parties	7	34	32
Inventories	8	2 104	3 003
Prepaid expense		518	44
General Sales Tax credit		1 678	2 778
Balance in favor of Income tax		887	1 317
Total current assets		19 452	11 458
Non-current assets			
Other accounts receivable:			
- Related parties	7	-	1 329
General Sales Tax credit		-	43
Property, plant and equipment	9	5 088	57 779
Mining concessions, exploration and evaluation assets	10	2 763	11 685
Other intangible assets		30	222
Total non-current assets		7 881	71 058
TOTAL ASSETS		27 333	82 516
LIABILITIES AND EQUITY			
Current liabilities			
Financial obligations	11	1 717	-
Trade accounts payable:			
- Third parties	12	10 955	11 141
- Related parties	7	1 406	301
Other accounts payable		1 980	2 527
Mine remediation and closure provision	13	158	467
Total current liabilities		16 216	14 436
Non-current liabilities			
Financial obligations	11	2 093	-
Other accounts payable:			
- Related parties	7	-	12 713
Deferred income tax	15	-	3 562
Mine remediation and closure provision	13	14 822	10 977
Total non-current liabilities		16 915	27 252
Total liabilities		33 131	41 688
Equity	14		
Capital stock		63 254	63 254
Additional capital		18 813	-
Legal reserve		4 538	4 403
Deficit		(92 403)	(26 829)
Total equity		(5 798)	40 828
TOTAL LIABILITIES AND EQUITY		27 333	82 516

The accompanying notes on pages 7 to 38 are part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31 2020 US$000	2019 US$000
Sales	16	49 939	67 141
Sales cost	17	(41 553)	(47 846)
Gross profit		8 386	19 295
Operating (expenses) income:			
Selling expenses	18	(2 502)	(3 559)
Administrative expenses	19	(2 969)	(2 190)
Impairment of long-lived assets	20	(66 791)	-
Other expenses	21	(3 637)	(2 512)
Other income		970	168
(Loss) operating income		(66 543)	11 202
Financial income		9	1 563
Financial expenses	22	(1 152)	(1 243)
Exchange difference, net	3 a-i)	(553)	165
(Loss) Income before income tax		(68 239)	11 687
Income tax	15	2 800	(8 954)
(Loss) profit and comprehensive profit and loss for the year		(65 439)	2 733

The accompanying notes on pages 7 to 38 are part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital stock	Capital capital	Legal reserve	Deficit	Total
	US$000	US$000	US$000	US$000	US$000
Balances as of January 1, 2019	63 254	-	4 403	(29 562)	38 095
Comprehensive profit and loss for the ye	-	-	-	2 733	2 733
Balances as of December 31, 2019	63 254	-	4 403	(26 829)	40 828
Allocation to the legal reserve	-	-	135	(135)	-
Debt capitalization	-	18 813	-	-	18 813
Comprehensive profit and loss for the ye	-	-	-	(65 439)	(65 439)
Balances as of December 31, 2020	63 254	18 813	4 538	(92 403)	(5 798)

The accompanying notes on pages 7 to 38 are part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	For the year ended December 31 2020 US$000	2019 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss (profit) for the year		(65 439)	2 733
Adjustments to the profit and loss of the year that do not affect the cash flows of operating activities:			
Depreciation	9	5 373	10 665
Amortization		57	74
Provision for loan losses	7-b	1 329	-
Impairment of property, plant and equipment	20	66 791	-
Inventory devaluation	8	457	8
Accrued interest		1 152	1 205
Deferred income tax	15-d	(3 562)	7 263
Variation in assets and liabilities:			
Trade accounts receivable from related parties		(6 662)	6 815
Other accounts receivable from third parties		(351)	406
Other accounts receivable from related parties		(2)	855
Inventories		442	(877)
Prepaid expense		(474)	184
General Sales Tax credits		1 143	2 672
Income tax provision		(505)	566
Payment of taxes		(103)	(3 813)
Trade accounts payable to third parties		(186)	4 621
Accounts payable to related parties		245	(606)
Other accounts payable to third parties		(632)	868
Mine remediation and closure provision	13	(53)	(52)
Payment of income tax		1 038	3 748
Net cash provided by operating activities		58	37 335
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment	9	(4 898)	(15 990)
Investment in mining concessions and mine development	10	(2 123)	(6 740)
Other intangible assets		-	(32)
Net cash applied to investment activities		(7 021)	(22 762)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received from third parties		6 823	-
Payment of third-party loans		(3 026)	-
Loans received by related party		6 100	-
Payment of loans received from shareholders and related parties		-	(16 000)
Interest payment		-	(872)
Net cash provided by (applied to) financing activities		9 897	(16 872)
Net change in cash and cash equivalents		2 934	(2 299)
Balance of cash and cash equivalents at the beginning of the year		2 592	4 891
Balance of cash and cash equivalents at the end of the year		5 526	2 592
Transactions that do not represent cash flows:			
Update of the mine remediation and closure provision	13	194	282
Changes in key assumptions of mine remediation and closure provision	13	3 395	(30)
Legal Reserve Allocation	14-c	135	-
Capitalization of debt with related party	14-b	18 813	-

The accompanying notes on pages 7 to 38 are part of the financial statements.

1 GENERAL INFORMATION

1.1 Company Identification -

Trevali Perú S.A.C. (hereinafter the Company) is a wholly owned subsidiary (100%) of Trevali Mining Corporation (hereinafter TMC or the parent company), the latter the controlling company, domiciled in Canada. The Company was incorporated on June 15, 2007, in Peru, and it began operations on July 1 of the same year. The company's principal place of business is Av. Guardia Civil 1321, Piso 17, distrito de Surquillo, Lima, Perú.

1.2 Business activities -

The Company carries out all types of mining activities, without exception, including exploration and exploitation of mineral rights, beneficiation and marketing of minerals and metals, such as lead, zinc and silver, in the Santander mining unit, which is located in Santa Cruz de Andamarca District, Huaral Province, Department of Lima, Peru.

1.3 Approval of financial statements -

Financial statements for the year ended on December 31, 2020, have been issued under Management authorization on March 29, 2021, and they will be considered by the General Shareholders' Meeting for final approval. In Management's opinion, these financial statements will be approved by the shareholders without amendments.

Financial statements for the year ended on December 31, 2019, were approved by the General Shareholders' Meeting on April 15, 2020.

1.4 Impact of the outbreak of COVID-19 on the Company's financial statements and operations -

A national state of emergency was declared by the Government of Peru on March 16, 2020. As a result, the Company adopted a series of measures, which included:

1. The Santander mining unit continued mining operation activities in a limited way, and due to the lack of critical supplies, it suspended operational activities at the plant in the last week of March 2020 through May 2, 2020. Remote work was implemented for Lima office staff so as not to affect processes related to the chain of payments and operational support. This remote work measure will be maintained as long as the nationwide state of emergency continues.

2. As of May 2, 2020, as the national economy reactivated and protocols were implemented to avoid the transmission of COVID-19, the Santander mining unit restarted operations gradually. However, the impact of COVID-19 affected staffing flows from March through September 2020, making it difficult for the Company to mobilize operations staff. Currently, the Company has overcome this situation and recovered operational levels.

The impact of COVID-19 is mainly reflected as reduced production and, consequently, as a reduction in sales volume. In addition, there have been indirect fixed costs during this quarantine such as labor, equipment and facility maintenance, among others, despite lower production. Likewise, there have also been expenses related to COVID-19 (including indirect fixed costs of production.

directly absorbed by the cost of sales) totalling US$2,233,000 as of December 2020.
On January 27, 2021, the Peruvian Government, in response to the “second wave” of COVID-19, declared a new quarantine period in certain cities in the country for two weeks, which ended on February 14, 2021. On February 10, 2021, this period was extended for two additional weeks through February 28, 2021. Presently, operations have not been affected by these additional measures.

1.5 Financial condition and management plans -

As of December 31, 2020, the Company has accumulated loss of US$92,404,000 with a negative equity of US$24,612,000. Thus, the Company’s accumulated losses reduced its net equity to a negative amount, and below a third of its capital stock. Given this situation, and because the Company is still in operation, it adopted the status of de facto corporation according to the provisions set forth by the General Companies Law (LGS, Spanish acronym). Considering the conditions of the international economy and the basic metals market still impacted by the effects of COVID-19 and in order to guarantee the sustainability of the operation, the Company implemented certain operational actions such as:

- Implementation of a cost reduction policy in general;
- Implementation of strict protocols to avoid the risk of shutdown due to COVID-19;
- Negotiations and bidding processes with contractors to reduce the value of the contracts;
- Permanent review of the production plan in order to guarantee its compliance and optimization.
- In 2020, exploration activities began in new areas, with the purpose of increasing resources and reserves. It will continue during 2021;
- The Company is in the process of implementing the drilling program in the present area of operation to confirm the expansion of reserves.
- The Company is financially supported by its parent company, Trevali Mining Corporation.

Additionally, in 2020 and 2019, flows from positive operational activities have generated an amount totalling US$58,000 and US$37,335,000, respectively. Likewise, as of December 31, 2020, the Company also has a positive working capital of US$3,236,000 (negative working capital of US$2,978,000 as of December 31, 2019), mainly due to international conditions in the zinc market and zinc treatment costs.

In 2020, the Company achieved production of 70,836 tons of zinc concentrate (82,454 tons in 2019) and 6,426 tons of lead and silver concentrate (11,153 tons in 2019). Production in 2020 was 17% lower than in 2019.

In addition, third-party partnerships are under consideration, including purchasing minerals for processing and/or providing grinding services.

Additionally, on January 18, 2021, Trevali Mining Corporation announced that by the end of 2021, mining operations in the Magistral deposits will be completed, and the operation in Santander will go through an exploration phase to focus on the discovery and definition of new mineralization to complement the existing mineral resource at Santander Pipe.

Though these measures will partially mitigate the Company’s financial position, its status will remain a de facto corporation under the General Corporations Act. This is why the Company is evaluating several corporate alternatives to allow a reversal of the financial position described above.

The financial statements as of December 31, 2020, have been prepared considering the Company will continue as an operating business, since the Management reasonably expects the Company has sufficient resources to continue operating in the foreseeable future, by means of its operations and, if necessary, financial support from its parent company or from available credit lines in the national and international banking sector.

2 SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used to prepare the financial statements are described below. These policies have been applied consistently for the years presented.

2.1 Preparation basis -

The Company financial statements have been prepared according to International Financial Reporting Standards (hereinafter IFRS) established by the International Accounting Standards Board (hereinafter IASB) effective as of December 31, 2020.

The information contained in these financial statements is the responsibility of the Company's Management, which expressly confirms that the principles and criteria contemplated in the IFRS issued by the IASB have been applied in their preparation.

The financial statements result from the Company's accounting records, which have been prepared according to the historical cost principle, except for trade account receivables, which are measured on every report date at fair value. The financial statements are presented in thousands of American dollars (under the heading US$000).

The preparation of the financial statements under IFRS requires certain critical accounting estimates. It also requires Management to use their judgement in the process of applying the Company's accounting policies. The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements are described in Note 4.

2.2 Standards, amendments and interpretations effective as of January 1, 2020 -

The following accounting standards (IFRS), amendments to standards and interpretations are effective as of January 1, 2020, and had no effect on the Company's financial statements.

- Amendments to IAS 1 and IAS 8 - Materiality definition -

  The amendments provide a new definition of "materiality" as the information whose omission due to error or obscuring could reasonably be expected to influence the decisions made by the primary users of the financial statements. The amendments clarify that the materiality will depend on the nature and magnitude of information, individually or added to other information items, in the context of the financial statements.

  These amendments had no impact on the financial statements, and it is not expected they will have a future impact on the Company.

- Amendments to the Conceptual Framework for Financial Reporting -

  The conceptual framework reviewed includes some new concepts and definitions, as well as criteria for the recognition of assets and liabilities, and it clarifies some concepts. In particular, the IASB has issued a review of the Conceptual Framework which will be used in decisions to establish standards with an immediate effect. Key changes include:

  - Increasing the importance of management in the financial reporting objective
  - Reestablishing prudence as a component of neutrality
  - Defining a reporting entity, which can be a legal entity, or part of an entity
  - Reviewing the definitions of an asset and a liability
  - Eliminating the probability threshold for recognition and adding guidelines for derecognition
  - Adding guidelines on different measurement bases, and
  - Establishing that the earning or loss is the principal performance indicator and that, initially, income and expenses in other comprehensive earnings must be recycled when it improves the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events or conditions that are not otherwise addressed under the accounting standards will be required to apply the revised Framework from January 1, 2020. These entities should consider whether their accounting policies are still appropriate under the reviewed Framework.

These amendments had no impact on the financial statements, and it is not expected they will have a future impact on the Company.

2.3 New IFRS, amendments to issued standards and interpretations that will be effective for the financial statements starting on or after January 1, 2021, and which have not been adopted in advance -

The following standards, amendments to standards and interpretations have been published and apply to periods starting after the presentation dates of these financial statements, and have not been adopted in advance:

- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current

  Amendments to IAS 1 Presentation of Financial Statements to clarify that liabilities are classified as current or non-current, depending on the rights existing at the end of the reported period. The classification is not affected by the entity's expectations or by events after the presentation date (for example, the receipt of a waiver or non-compliance of covenants).

  The amendments also clarify the meaning of the AIS 1 reference to a liability "settlement."

  The amendments may affect the classification of liabilities, especially for entities that previously considered Management's intentions to determine the classification and for certain liabilities that may become equity.

  The amendments must be applied retroactively according to the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and they must be applied retroactively.

  The Company is currently assessing the impact that the amendments may have on current practice.

- Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use -

  This amendment prohibits an company from deducting from the cost of an item of Property, Plant and Equipment amounts received from selling items produced while bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the entity must recognize any proceeds from the sale of such items, and related production costs, in profit or loss.

  The amendment also clarifies that when IAS 16 states an entity is "measuring whether the asset is operating in the manner intended," it refers to the physical and technical evaluation, which is not relevant for the asset's financial performance.

  This amendment is effective as of January 1, 2022, and it should be applied retrospectively.

  The Company is currently assessing the impact that the amendments may have on current practice.

- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37

  In May 2020, the IASB issued an amendment to IAS 37 to specify the cost that an entity should consider when assessing whether a contract is onerous or loss-making.

  The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any loss due to depreciation of the assets used in fulfilling the contract.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

The Company is currently assessing the impact that the amendments may have on current practice.

- Annual Improvements to IFRS 2018-2020 Cycle

  As part of its 2018-2020 annual improvements to the standard IFRS process, in May 2020, the International Accounting Standards Board issued the following amendments:

  IFRS 9, Financial Instruments Clarifies that commissions must be included in the 10 per cent test for derecognition of financial liabilities.

  IFRS 16, Leases -The amendment to Illustrative Example 13 removes from the example the illustration the reimbursement of leasehold improvements by the lessor in order to resolve any interpretation issues regarding the treatment of lease incentives.

  IFRS 1, First-time Adoption of International Financial Reporting Standards - This allows entities that have measured their assets and liabilities at the registered book value in their parent company to also measure any cumulative transaction differences using the amounts reported by the parent company. This amendment will also be applied to associates and joint ventures who had taken the same IFRS 1 exemption.

  Amendments will be effective for the annual reporting periods beginning on or after January 1, 2022, and early adoption is permitted.

  The Company is currently assessing the impact the amendments may have on current practice.

- Amendment to IFRS 10 and IAS 28 - Sale or Contributions of Assets between an Investor and its Associate or Joint Venture

  IASB has made amendments of limited scope to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures.”

  The amendments clarify the accounting treatment of sale or contribution of assets between an investor and its associate or joint venture. They also confirm that the accounting treatment will depend on whether non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

  When non-monetary assets constitute a business, the investor must recognize the total gain or loss resulting from the sale or asset contribution. If assets do not fit the definition of a business, the gain or loss is recognized by the investor only to the extent of unrelated investors’ interests in the associate or joint venture. These amendments will be applied prospectively.

  In December 2015, IASB decided to postpone the application date for this amendment until its research project on the capital stock method was completed.

2.4 Interest Rate Benchmark Reform -

In 2014, certain events in global markets revealed weaknesses in the sustainability of using LIBOR as a benchmark rate. Since then, regulators all over the world have focused on a transition to a new benchmark index to replace the US$ LIBOR rate.

In July 2017, the “Financial Conduct Authority” announced their intention to gradually eliminate LIBOR by the end of 2021. However, there is still uncertainty with regard to the exact timing and nature of these changes.

On December 31, 2020, the Company is in discussion only with its related parties, and it hopes to apply them until the end of 2021 without significant impact.

2.5 Foreign Currency Translation

a) Functional Currency and Presentation Currency -

Entries included in the Company's financial statements are expressed in the currency of the primary economic environment where the entity operates (functional currency). Financial statements are presented in American dollars, which is the Company's functional currency and presentation currency.

b) Transactions and Balances -

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing on the dates of the transactions or valuation at which the items are remeasured.

Gains and losses from exchange differences resulting from the payment of such transactions and from the translation at year-end exchange rates and monetary assets and liabilities in foreign currency are recognized in the Statement of Comprehensive Income under the header "Exchange difference, net."

2.6 Financial Information by Segments

The Company's General Management has been identified as the highest decision-making authority in the operation, since it has the final authority over resource allocation decisions and performance evaluation. The General Management analyzes the performance from the perspective of the overall production of the concentrates that are extracted from the Santander mining unit; therefore, the Company has a single operating segment that corresponds to its reportable segment.

The sales of the segment are destined entirely to the local market. The breakdown of sales by product and customers is included in Note 17.

The internal information used for decision making is prepared by applying the accounting measurement bases of these financial statements.

2.7 Financial instruments-

The Company's financial assets and liabilities (financial instruments) are initially recorded at fair value. After the initial recognition, financial instruments are measured at amortized cost using the effective interest method. The financial instruments recorded at fair value through profit or loss, if any, are initially recognized at fair value, and transaction costs are charged to the income statement.

2.8 Financial Assets -

IFRS 9, "Financial Instruments" includes a revised model to classify financial assets, which results in a classification according to the contractual cash flow characteristics a financial instrument, and the business models under which they have been carried out.

In initial recognition, financial assets are measured at fair value. On December 31, 2020 and 2019, the Company principally maintained accounts receivables as financial assets. Under IFRS 9 model for financial asset classification, the Company has classified and measured accounts receivables at fair value with changes through profit and loss; and they are included in current assets except for those expiring after more than 12 months counted as from the date of the statement of financial position.

2.9 Financial Liabilities -

Financial liabilities are initially recognized at their net fair value of the costs directly attributable to the transaction. Financial liabilities are derecognized when the obligation established in the contract has been cancelled or expired. The Company's financial liabilities include financial liabilities, business accounts payable, accounts payable to related parties, and other accounts payable, which, after initial recognition, are measured at amortized cost.

2.10 Compensation of financial instruments -

Financial assets and liabilities are compensated, and the net amount is reported in the statement of financial position when there is a legally enforceable right to compensate recognized amounts and there is an intention to liquidate them on net bases or to simultaneously realize assets and pay liabilities. The legally enforceable right should not be contingent on future events and must be enforceable in the ordinary course of business and in the event of noncompliance or insolvency by the Company or the counterparty.

2.11 Impairment of financial assets

IFRS 9 introduces the expected loss model, which is based on changes in the credit rating since the initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and if such decrease is objectively related to an event that occurred after such impairment was recognized (such as an improvement in the debtor's credit ratio), the reversal of the previously recognized impairment is recognized in the statement of comprehensive income.

2.12 Cash and cash equivalents -

Cash and cash equivalents presented in the statement of financial position include cash on hand and cash held in bank current accounts.

2.13 Business accounts receivable -

Trade accounts receivable are initially recognized at fair value and are subsequently measured at fair value through profit or loss, since these accounts receivable are related to sales that are adjusted for the volatility of the LME (London Metal Exchange) and they do not pass the OPPI (Only Payments of Principal and Interest) test because there is a price risk component that modifies the cash flows, which would otherwise be required by the sales contract.

2.14 Inventories -

Inventories comprise concentrates, supplies and inventories in transit. Concentrates and are valued at cost or net realizable value, whichever is lower.

The cost of concentrates includes all production costs incurred directly, including direct labor and materials, freight and amortization, and directly attributable operating expenses. Supplies to be used in exploration and production are valued at acquisition cost, freight and other directly attributable costs, which is determined using the weighted average method and the cost of inventories to be received, using the specific cost method.

The impairment of the value of the inventories is determined based on the net realizable value, which is the estimated sale price in the normal course of business, less the costs necessary to finish their production, put the inventories in a condition for sale and carry out their commercialization. For reductions in the book value of the inventories to their net realizable value, a provision for inventory impairment is made with a charge to profit or loss in the period in which such reductions occur.

The devaluation of supplies is calculated annually taking into account the inventory items that have not had movements in the last 12 months, discounting security or critical items. The provision for impairment for the period is recorded with a charge to profit or loss for the year.

2.15 Property, plant and equipment -

Assets in the property, plant and equipment account are presented at cost less their cumulative depreciation and, if any, cumulative impairment losses. The cost of a component of property, plant and equipment comprises its purchase price or its manufacturing cost, including non-refundable sales fees and taxes and any cost necessary to bring the asset into operating condition as estimated by Management, the estimate initial retirement and decommissioning obligation and, in the case of qualifying assets, borrowing costs. The purchase price or construction cost corresponds to the total amount paid and the fair value of any other consideration given to acquire the asset.

Subsequent costs attributable to real estate, plant and equipment are capitalized only when it is probable that future economic benefits associated with the asset will be generated for the Company and the cost of these assets can be measured reliably; otherwise, they are charged to the cost of sale or expense, as applicable. Maintenance and repair expenses are charged to the sale cost or expense, as applicable, in the period in which they are incurred.

When the replaced part of the asset was not considered separately as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off.

Assets in the construction stage are capitalized as a separate component. Such assets are later reclassified to their definitive category of the property, plant and equipment account once the construction process is completed. These assets are depreciated from that moment.

The components of the property, plant and equipment account are derecognized at the time of their sale or when no economic benefits are expected from their use or sale. Gains and losses on sales are determined by comparing the income obtained with the book value of the assets and are recognized in the statement of comprehensive income under the caption “other income.” If the book value of an asset is greater than its recoverable value, a loss is recognized in the results of the period due to impairment. The recoverable value of the assets corresponds to the higher amount when comparing their value in use and their fair value less costs to sell.

The residual values, the useful life of the assets and the depreciation methods applied are reviewed and adjusted, if necessary, on the date of each statement of financial position.

Depreciation -

Depreciation is determined using the units of production method calculated based on the reserves and economically recoverable resources of the Santander mining unit, for plant machinery and equipment, mining unit and asset retirement cost. On the other hand, buildings, facilities, miscellaneous equipment, computer equipment, communication equipment and furniture and fixtures are depreciated using the straight-line method over the useful life of the assets. Land and works in progress are not depreciated.

The Management estimates and reviews the amounts of property, plant and equipment used in the mining unit, as well as the useful life of depreciable assets on each date of presentation of financial statements. As of December 31, 2020, the Management has evaluated that the assigned useful lives represent the expected use of the Company's assets.

Units of production (UoP) and the straight-line method are calculated using the following average useful lives:

	Method of	**Years of Useful Life**	
	Depreciation	**2020**	**2019**
Buildings	Straight line	10	10
Mining unit	UoP	8 to 10	8
Plant	UoP	8 to 10	8
Facilities	Straight line	10	10
Miscellaneous equipment	Straight line	10	10
Computer equipment	Straight line	4	4
Communication equipment	Straight line	5	5
Furniture and fixtures	Straight line	10	10
Asset retirement cost	UoP	8 to 10	8

2.16 Mining Concessions, Exploration and Evaluation Assets-

Mining concessions and rights are recognized at acquisition cost and shown net of cumulative depreciation.

Exploration and evaluation costs include expenditures in exploration and evaluation activities. These assets are shown at cost net of their cumulative depreciation and any cumulative impairment loss.

Development costs are amortized using the units of production method and based on reserves and resources.

2.17 Intangible Assets -

Acquired intangible assets are recorded at cost less cumulative depreciation. After initial recognition, intangible assets are carried at cost less cumulative depreciation and any cumulative impairment loss, if any.

2.18 Impairment of Non-Financial Assets -

The Company reviews and assesses the impairment of its exploration and evaluation assets and property, furniture and equipment when events or circumstances occur that indicate that the book value of the asset will not be recovered from its use or from its sale.

One or more of the following factors and circumstances indicate that an entity should test the exploration and evaluation assets for impairment (the list is not exhaustive):

- The period during which the entity has the right to explore in the specific area has expired or will expire in the near future and such period is not expected to be renewed;
- No substantive expenditures have been budgeted or planned to undertake future exploration or evaluation of mineral resources in a specific area;
- Exploration for and evaluation of mineral resources in a specific area have not resulted in the discovery of viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient information exists to indicate that, although development in the specific area is probable, the book value of the exploration and evaluation asset is unlikely to be fully recovered upon successful development or sale.

The impairment test seeks to determine if there is an impairment loss. Impairment losses correspond to the amount by which the book value of exploration and evaluation assets and property, furniture and equipment exceeds their recoverable value in accordance with the provisions of IAS 36 "Impairment of Assets." The recoverable value is the greater value between the fair value less the costs for the retirement of the assets and the value in use. The fair value is the price that would be received for the sale of the asset in a transaction between market participants.

The value in use corresponds to the present value of the estimated future cash flows that are expected to be obtained from the continuous use of the asset and from its sale at the end of its useful life.

The Company uses the fair value less the costs of disposal at the level of the Cash Generating Unit - CGU (group of smaller assets capable of generating identifiable cash flows), as a reference of the recoverable value, which in the case of the Company, corresponds to the only project they currently manage. The fair value less costs of disposal is estimated through discounted cash flows, applying a discount rate before taxes based on the weighted average cost of capital formula that a market participant would apply. The determination of fair value less costs of disposal uses level 3 valuation techniques.

2.19 Trade Accounts Payable -

Trade accounts payable are obligations to pay for goods or services purchased from vendors in the normal course of business. Accounts payable are classified as current liabilities if payment is due within one year or less; otherwise, they are presented as non-current liabilities.

2.20 Employee Benefits -

a) Bonuses -

The Company recognizes the expense for bonuses and its corresponding liability pursuant to the legal provisions in force in Peru. Bonuses correspond to two annual remunerations that must be paid to the employees in July and December of each year.

b) Compensation for length of service -

Compensation for length of service corresponds to the compensation employees are entitled to, calculated in accordance with current labor legislation in Peru, and which must be deposited in the months of May and

November of each year in the bank accounts designated by the employees. Compensation for employee length of service is equivalent to half the remuneration in effect on the date of deposit. The Company has no additional payment obligations once it has made the annual deposits of the amounts to which the employee is entitled.

c) Vacations -

Annual leaves of employees and other compensated absences are recognized on an accrual basis. The provision for the estimated obligation for annual employee vacations resulting from services rendered is recognized on the date of the statement of financial position.

2.21 Contingent Liabilities and Assets -

Contingent liabilities are not recognized in the financial statements; they are only disclosed in a note to the financial statements, unless the possibility of using resources is probable. Contingent assets are not recognized in the financial statements and are only disclosed when it is probable that an inflow of resources will occur.

2.22 Provisions -

Provisions are recognized when the Company has a present legal or assumed obligation resulting from past events that is likely to require the delivery of a flow of resources involving economic benefits for its settlement and its amount can be estimated reliably. If the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the specific risks of the liability. The reversal of the discount due to the passage of time gives rise to an increase in the obligation that is recognized as a financing interest expense in the statement of comprehensive income.

Mine remediation and closure provision -

The Company recognizes a provision for the restoration and rehabilitation of the environment and for the closure of the operating units, which corresponds to its legal obligation to restore the environment at the end of its mining operations.

The present value of an obligation is recognized on the basis of future cash flows discounted at a risk-free rate plus the incremental risk related to the obligation.
On the date of initial recognition of the liability arising from this obligation, which is measured at the fair value of the disbursements required to meet the obligation discounted at its present value, it is recognized simultaneously for the same amount in the Property, Plant and Equipment account in the statement of financial position. Subsequently, the liability is increased in each period to reflect the financial cost considered in the initial valuation of the discount and, additionally, the capitalized cost is amortized based on the useful life of the related asset.

Changes in the estimated fair value of the initial obligation and in interest rates are recognized as an increase or decrease in the book value of the obligation and the corresponding asset.

A provision is made for the cost to be incurred in mine closure and environmental restoration and rehabilitation (including dismantling and demolition of infrastructure, removal of residual materials and remediation of affected areas) in the financial period in which the respective environmental disturbance occurred, based on estimated future costs to be incurred using information available on the date of the statement of financial position.

The provision is reviewed annually to take into account changes in the implicit obligations, in the legislation or in the discount rates that result in changes in the estimates of costs or life of the operations. The cost of the respective asset is adjusted to take into account changes in the provision resulting from changes in the estimates of cash flows or discount rate and the adjusted cost of the asset is amortized prospectively.

2.23 Current and Deferred Income Tax -

The income tax expense or income for the year includes the current and deferred income tax.

The current income tax charge is calculated based on the tax laws enacted on the date of the statement of financial position. Management periodically evaluates the position assumed in the tax returns regarding situations in which the tax laws are subject to interpretation. Management, when applicable, establishes provisions for the amounts it expects to pay to the tax authorities.

The deferred income tax is provisioned for all temporary differences that arise between the tax bases of assets and liabilities and their respective values shown in the financial statements. The deferred income tax is calculated using tax rates (and legislation) that have been enacted on the date of the statement of financial position and which are expected to be applicable when the deferred income tax asset is realized or when the deferred income tax liability is paid.

The deductible temporary differences and the tax savings resulting from the accumulated tax losses generate deferred tax assets to the extent that the tax benefit can be used against the income tax of future taxable years. In the case of tax loss, the deferred tax asset will be recognized to the extent that the Company generates sufficient income to allow it to do so, or up to the amount of the balance of deferred tax credits that will be reversed in the period in which the loss can be used as a tax benefit.

The book value of deferred income tax assets is reviewed on the date of each statement of financial position and is reduced to the extent that it is determined that it is unlikely that sufficient taxable income will be generated, against which the deferred asset can be offset.

The balances of deferred income tax assets and liabilities are offset if there is a legal right to offset the current tax and provided that the deferred taxes relate to the same entity and the same tax authority.

2.24 Capital Stock -

Common shares are presented in equity.

2.25 Income Recognition -

The Company sells concentrates to third-party refining customers, with whom it signs a sales contract. These concentrates contain predominantly zinc and lead, along with amounts of silver. The Company considers that its commercial operations generate a single performance obligation in each transaction, which is the commitment to deliver concentrates.

Sale of concentrates -

Income from the sale of concentrates fulfill its short-term performance obligation when control of the asset sold is transferred to the customer. Transfer control indicators include an unconditional obligation to advance a significant payment and acceptance by the customer. This generally occurs when concentrates are delivered ex-warehouse or as contractually agreed with the buyer.

The concentrate sales contracts provide for a significant provisional payment based on provisional testing and quoted metal prices, which averages 90% of the provisional value invoiced. Final settlement is based on applicable metal prices in specified quotation periods. For this purpose, the transaction price can be reliably measured for those products, such as zinc and lead, for which there is a free and active market, such as the London Metal Exchange. In the event that the value of the final settlement is less than the provisional settlement, there is an obligation to return part of the consideration paid as an advance.

These contracts, due to the fact that they will be settled in the future and based on the international prices of the payable contents that are ultimately agreed upon, are treated as embedded derivatives for accounting purposes, and at the end of the year they are adjusted for significant changes in international prices to reflect them at their fair value.

The final adjustments resulting from final settlements are recorded in the year in which they are issued, generally when the seller and buyer exchange pesos and payable contents, and set the quotation period, based on conditions previously agreed in the corresponding sales contracts.

2.26 Recognition of Costs and Expenses -

The cost of sales, which corresponds to the cost of production, is recognized in profit and loss on the date of delivery of the concentrate to the customer, simultaneously with the recognition of the income from its sale.

Other costs and expenses are recognized as accrued regardless of when they are incurred, and are recorded in the periods in which they are related to the respective income.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors -

The Company's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's financial risk management program seeks to reduce potential adverse effects on its financial performance.

The most important aspects in managing these risks are the following:

a) Market risk -

i) Exchange rate risk -

The exchange rate risk results from the Company's exposure to fluctuations in the exchange rate of transactions that are not denominated in US dollars, its functional currency.

Since the Company's revenues and most costs and expenses are denominated in US dollars, its current exposure to foreign currency risk is substantially limited to other accounts receivable.

The balances in foreign currency are as follows:

	2020 S/000	2019 S/000
Assets:		
Cash and cash equivalents	5,967	6,421
Other accounts receivable	659	717
Accounts receivable from related parties	-	6
Other accounts receivable from related parties	3,385	4,400
	10,011	11,544
Liabilities:		
Financial obligations	(9,959)	-
Third-party trade accounts payable	(4,324)	(4,989)
Other accounts payable	(3,972)	(4,300)
	(18,255)	(9,289)
Net (liabilities) assets	(8,244)	2,255

As of December 31, 2020 and 2019, the exchange rate used by the Company to record balances in foreign currency is US$0.276 and US$0.302, respectively per S/1.00 and corresponds to the exchange rate published by the Superintendence of Banking, Insurance and AFP (SBS) current on those dates and expressed in US dollars.

As of December 31, 2020, the exchange difference was a loss of US$553,000 (gain of US$165,000 as of December 31, 2019).

Periodically, the Company evaluates its exposure to the exchange rate risk, and in this respect, the Company's Management has decided not to carry out hedging operations.

The following table shows the sensitivity in the (loss) profit before taxes for the years 2020 and 2019 if the Sol had revalued/devalued 5% against the US dollar:

Year	Revaluation/devaluation of exchange rate	Effect on profit before taxes US$000
2020	+5%	108
	-5%	(108)
2019	+5%	113
	-5%	(113)

ii) Price risk -

The Company is exposed to the commercial risk from changes in the sale prices of mineral concentrates (commodities), which are determined in international markets according to variations in supply and demand. Management has signed sales contracts in which the price of the final settlement of invoiced amounts is established based on the average market price from the 90 days after the invoice date.

As of December 31, 2020 and 2019, the Company has not carried out hedging operations.

If on December 31, 2020 and 2019, the price of concentrate had been 10% higher/lower and the other variables had remained constant, the result for the year after taxes would have been:

Commodity	Increase/decrease in the price	Effect on profit 2020 US$000	2019 US$000
Lead (Pb)	+10%	142	162
	-10%	(142)	(162)
Zinc (Zn)	+10%	667	(19)
	-10%	(667)	19

iii) Interest rate risk -

The interest rate risk for the Company arises mainly from its obligations with related parties. Obligations at variable rates expose the Company to interest rate risk on its cash flows. Obligations at fixed rates expose the Company to interest rate risk on the fair value of its liabilities.

The Company's financial assets include demand deposits in banks, most of which bear fixed interest rates. Financial liabilities include short-term and long-term debt at variable interest rates.

The following table shows the sensitivity of the Company's profit and equity to a 5% increase/decrease in the variable interest rates on loans, keeping the other variables constant:

Long-term debt	Increase/decrease at interest rates	Effect on profit for the year US$000
2020	+5%	941
	-5%	(941)
2019	+5%	636
	-5%	(636)

The Company does not use derivative financial instruments to hedge its exposure to the rate risk on its cash flows.

b) Credit risk -

The Company's financial assets potentially exposed to concentrations of credit risk are mainly related to cash and cash equivalents and accounts receivable from related parties. The Company sells all of its production exclusively to Glencore Perú S.A.C.;

which is a recognized entity in the market, with other mining operations worldwide. In addition, the risk of uncollectibility is considerably reduced, since it has historically complied with the payments of its obligations with the Company.

The Company reduces the credit risk of its cash and cash equivalents by applying its policy of maintaining balances exclusively with prestigious financial institutions.

c) Liquidity risk -

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents and the possibility of committing and/or having committed financing through an adequate number of credit sources.

The table below analyzes the Company's financial liabilities grouped according to the period remaining on the date of the statement of financial position until the maturity date. The exposed amounts correspond to undiscounted cash flows (includes interest and excludes taxes, social security contributions and advances).

	Up to 1 year	**From 1 to 2 years**	**From 2 to 5 years**	**Total**
	US$000	**US$000**	**US$000**	**US$000**
As of December 31, 2020				
Financial obligations (principal)	1,717	1,306	787	3,810
Financial obligations (interest)	33	42	57	132
Trade accounts payable to third parties	10,955	-	-	10,955
Accounts payable to related parties	1,406	-	-	1,406
Other accounts payable to third parties (*)	656	-	-	656
	14,767	1,348	844	16,959
As of December 31, 2019				
Accounts payable to third parties	11,141	-	-	11,141
Accounts payable to related parties	301	-	-	301
Other accounts payable to third parties (*)	1,283	-	-	1,283
Related party loan	860	11,720	2,897	15,477
	13,585	11,720	2,897	28,202

(*) Does not include tax, payable social security contributions or advances.

3.2 Capital Structure Risk Management -

The Company's objectives in managing capital are to maintain production at levels similar to the previous year and to continue with the exploration of its other projects, which will allow it to continue as a going concern with the objective of paying the returns on investment to its shareholders, generating benefits for other stakeholders and reducing the cost of capital.

As of December 31, 2020 and 2019, the Company's operations have been financed with resources from Trevali Mining Corporation, the balance of which amounts to US$1,406,000 and US$13,014,000, respectively (Note 7).

3.3 Fair Value Estimate -

Management estimates that the book values of the Company's financial instruments (current financial assets and liabilities) as of December 31, 2020 and 2019 do not differ significantly from their fair values due to their short-term maturity; therefore, the disclosure of said information is not relevant for an adequate interpretation of the financial situation of the Company on those dates.

3.4 Fair Value Hierarchy -

Financial instruments carried at fair value are categorized based on a hierarchy of three valuation levels, which reflects the significance of the data used to determine their fair value, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for similar assets and liabilities.
Level 2 - Data other than Level 1 quoted prices, which are observable for both assets and liabilities, either directly (as prices) or indirectly (as derived from prices).
Level 3 - Data for assets and liabilities for which have no observable market information.

The following table presents the Company's assets that are shown at fair value in the statement of financial position as of December 31, 2020 and 2019.

	2020 US$000	2019 US$000
Level 2:		
Trade accounts receivable	8,084	1,422

There have been no transfers during the years ended December 31, 2020 and 2019. The Company does not present financial assets and liabilities on a net basis.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The accounting estimates and criteria used in the preparation of the financial statements are continually evaluated by Management and are based on historical experience and other factors, including the expectation of the occurrence of future events, which are considered reasonable under the circumstances.

The Company makes estimates and assumptions regarding the future. The resulting accounting estimates may differ from the respective actual results. The estimates and assumptions that have a risk of causing adjustments to the balances of reported assets and liabilities and critical judgments in the application of accounting policies are presented below:

4.1 Critical Accounting Assumptions and Estimates -

a) Impairment of long-lived assets -

The Company estimates that the value of its assets will be recovered in the normal course of its operations. The impairment loss is recognized for the amount by which an asset or cash-generating unit exceeds its recoverable value, which corresponds to the higher value between its fair value less costs to sell and its value in use.

To determine the value in use, Management estimates the future cash flows for each asset or cash-generating unit and determines an appropriate interest rate to calculate its present value. In the process of measuring future cash flows, Management makes assumptions about future results.

These assumptions relate to future events and circumstances. Actual results may vary and may cause material adjustments to the Company's assets in the future. In most cases, determining the appropriate discount rate includes making adjustments as necessary to account for market-specific risk and asset-specific risk.

As of December 31, 2020, the recoverable value was less than the book value of long-lived assets, so it was necessary to record a provision for US$66,792,000 (Note 21). As of December 31, 2019, no impairment or reversal of impairment was identified.

b) Determination of mineral reserves and resources -

Reserves represent the estimated proven and probable mineral resources that can be economically processed under current conditions.

The process of estimating mineral reserves is complex and requires evaluating available information on geology, geophysics, engineering and economics, which is highly subjective. The Company applies the method of the Australian Joint Ore Reserves Committee (JORC) Code to estimate reserves and resources. This method includes authoritative guidelines regarding the engineering criteria that must be met before estimated mineral reserves are designated as "proven" and "probable." Consequently, reserves estimates may be revised and adjusted for various reasons, such as changes in geological data or assumptions, changes in estimated prices, changes in production costs and changes in the results of exploration activities..

Changes in the reserves estimate directly and mainly affect the evaluation of the impairment of exploration and evaluation assets, to the extent that they modify the production profiles.

c) Taxes -

The determination of tax obligations and expenses requires interpretations of the applicable tax legislation. The Company receives professional advice on tax matters when making any decision on tax matters. Even when Management considers that its tax estimates are prudent and conservative, discrepancies may arise with the tax administration in the interpretation of regulations that require tax adjustments in the future.

d) Mine remediation and closure provision -

The Company calculates a remediation and closure provision for its mining unit on an annual basis. In order to determine said provision, it is necessary to make significant estimates and assumptions, since there are numerous factors that will affect the amount of this obligation. These factors include estimates of the scope and costs of closure activities, changes in technology, changes in regulations, cost increases relative to inflation rates, and changes in discount rates.

These uncertainties may cause actual future expenses to differ from the amounts provisioned. As of the date of the financial statements, the provision reflects Management's best estimate of the present value of future rehabilitation costs required.

5 FINANCIAL INSTRUMENTS

5.1 Financial Instruments by Category -

The classification of financial instruments by category is as follows:

	2020 US$000	2019 US$000
Financial assets		
At fair value through profit or loss -		
Trade accounts receivable from related parties	8,084	1,422
At amortized cost -		
Cash and cash equivalents	5,526	2,592
	2020 US$000	**2019 US$000**
Other accounts receivable (*)	424	242
Other accounts receivable from related parties	34	1,361

	14,068	5,617

Financial liabilities		
At amortized cost -		
Financial obligations	3,810	-
Trade accounts payable	10,955	11,141
Trade accounts payable to related parties	1,406	301
Other accounts payable to third parties (*)	656	1,283
Related-party loan	-	12,713
	16,827	25,438

(*) Does not include tax, payable or receivable social security contributions or advances.

5.2 Creditworthiness of Financial Assets -

The creditworthiness of the institutions in which cash and cash equivalents are held is as follows:

	Credit Rating	2020 US$000	2019 US$000
Banks:			
BBVA Continental S.A.	A+	3,778	106
Scotiabank S.A.	A+	176	1,121
Banco de la Nación	A	1,572	1,365
		5,526	2,592

The risk ratings were obtained from the risk rating agency Apoyo & Asociados Internacionales S.A.C., which is authorized by the Superintendence of Banks, Insurance and Pension Fund Administrators (hereinafter SBS, Spanish acronym).

The creditworthiness of the debtors is assessed in three categories (internal rating):

A: new (less than 6 months) debtors (includes related companies),
B: existing debtors (includes related companies) with more than 6 months of business relationship without past defaults, and
C: existing debtors (includes related companies) with more than 6 months of business relationship with past defaults.

As of December 31, 2020 and 2019, Management considers that the rating that best represents the creditworthiness of its portfolio is category B, since its only client is Glencore Perú S.A.C.

6 CASH AND CASH EQUIVALENTS

This item includes:

	2020 US$000	2019 US$000
Deposits in current accounts	5,526	2,592

The Company maintains its current accounts in local currency and in US dollars in local financial entities; they are freely available and do not generate interest.

7 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions between related parties -

The following transactions were carried out with related parties:

	2020 US$000	2019 US$000
Income:		
Sale of concentrates to Glencore Perú S.A.C.	49,939	67,141
Expenditure:		
Management services	1,426	841
Financial interests (Note 22)	860	923
	2,286	1,764

b) Accounts receivable from related parties -

	2020 US$000	2019 US$000
Trade accounts receivable -		
Glencore Perú S.A.C. (i)	8,084	1,422
Other accounts receivable -		
Compañia Minerales Santander S.A.C.	1,329	1,329
Trevali Mining Corporation	34	32
	1,363	1,361
Provision for doubtful accounts (Note 21)	(1,329)	-
	34	1,361
Current part	34	32
Non-current part	-	1,329

(i) These accounts receivable correspond to the sale of concentrates invoiced to Glencore Perú S.A.C. and they are net of the price adjustments of the provisional settlements.

c) Accounts payable to related parties

	2020 US$000	2019 US$000
Business accounts payable -		
Trevali Mining Corporation (i)	1,406	301
Loans payable -		
Trevali Mining Corporation (ii)	-	12,713

(i) Trade accounts payable correspond to services received and purchases of goods. These balances do not accrue interest and are of current maturity.

(ii) As of December 31, 2020, the Company has capitalized the loans it had with its parent company (Note 14). As of December 31, 2019, the Company had loans payable to the parent company which accrued interest at an average interest rate of 5.58%.

d) Key Management Personnel -

The Company considers its key personnel to be the members of Management, those officials with authority and responsibility for planning, directing and controlling activities. In 2020, the remuneration for key personnel was US$1,169,000 and in 2019 it was US$1,382,000.

8 INVENTORIES

This item includes:

	2020 US$000	2019 US$000
Stockpiles	571	1,159
Ore concentrate	271	373
Supplies	1,859	1,611
	2,701	3,143
Inventory devaluation	(597)	(140)
	2,104	3,003

The movement of inventory devaluation is as follows:

	2020 US$000	2019 US$000
Opening balance	140	132
Provision for the year (Note 17)	457	8
	597	140

In the opinion of the Company's Management, the risk of inventory devaluation is covered as of December 31, 2020 and 2019 and no provision is necessary.

9 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment item and its corresponding accumulated depreciation, for the years ended December 31, 2020 and 2019, has been as follows:

	Opening Balance US$000	Additions US$000	Disposals US$000	Transfer US$000	Closing Balance US$000
Year 2020:					
Cost -					
Buildings	7,366	-	-	2,140	9,506
Mining unit	126,738	2,750	-	-	129,488
Plant	38,630	-	-	709	39,339
Facilities	12,475	-	-	221	12,696
Misc. equipment	5,620	-	-	733	6,353
Computer equipment	141	-	-	-	141
Communication equipment 243	-	-	-	243	
Furniture and fixtures	284	-	-	-	284
Work in progress	4,651	2,148	-	(3,803)	2,996
Asset retirement cost (Note 13)	9,561	3,395	-	-	12,956
	205,709	8,293	-	-	214,002
Impairment (Note 21) -					
Buildings	(1,471)	(2,244)	-	-	(3,715)
Mining unit	(57,168)	(33,545)	-	-	(90,713)
Plant	(16,297)	(6,463)	-	-	(22,760)
Facilities	(4,021)	(1,660)	-	-	(5,681)
Miscellaneous equipment	(2,398)	(1,676)	-	-	(4,074)
Computer equipment	(22)	(11)	-	-	(33)
Communication equipment	(66)	(16)	-	-	(82)
Furniture and fixtures	(48)	(15)	-	-	(62)
	Opening Balance **US$000**	**Additions** **US$000**	**Disposals** **US$000**	**Transfer** **US$000**	**Closing Balance** **US$000**
Work in progress	-	(2,704)	-	-	(2,704)
Asset retirement cost	-	(7,277)	-	-	(7,277)
	(81,490)	(55,611)	-	-	(137,101)
Depreciation -					
Buildings	(5,313)	(262)	-	-	(5,575)
Mining unit	(32,989)	(3,261)	-	-	(36,250)

Plant	(14,891)	(818)	-	-	(15,709)
Facilities	(6,704)	(245)	-	-	(6,949)
Miscellaneous equipment	(1,829)	(169)	-	-	(1,998)
Computer equipment	(99)	(6)	-	-	(105)
Communication equipment	(148)	(11)	-	-	(159)
Furniture and fixtures	(217)	(4)	-	-	(221)
Asset retirement cost (Note 13)	(4,250)	(597)	-	-	(4,847)
	(66,440)	(5,373)	-	-	(71,813)
Net cost	57,779				5,088
Year 2019:					
Cost -					
Buildings	7,366	-	-	-	7,366
Mining unit	114,865	11,873	-	-	126,738
Plant	38,499	131	-	-	38,630
Facilities	12,475	-	-	-	12,475
Miscellaneous equipment	5,323	298	-	-	5,621
Computer equipment	127	14	-	-	141
Communication equipment	235	8	-	-	243
Furniture and fixtures	284	-	-	-	284
Work in progress	984	3,666	-	-	4,650
Asset retirement cost (Note 13)	9,591	(30)	-	-	9,561
	189,749	15,960	-	-	205,709
Impairment (Note 21) -					
Buildings	(1,471)	-	-	-	(1,471)
Mining unit	(57,168)	-	-	-	(57,168)
Plant	(16,297)	-	-	-	(16,297)
Facilities	(4,021)	-	-	-	(4,021)
Miscellaneous equipment	(2,398)	-	-	-	(2,398)
Computer equipment	(22)	-	-	-	(22)
Communication equipment	(66)	-	-	-	(66)
Furniture and fixtures	(47)	-	-	-	(47)
	(81,490)	-	-	-	(81,490)
Depreciation -					
Buildings	(5,082)	(231)	-	-	(5,313)
Mining unit	(26,171)	(6,818)	-	-	(32,989)
Plant	(13,214)	(1,677)	-	-	(14,891)
Facilities	(6,237)	(467)	-	-	(6,704)
Miscellaneous equipment	(1,601)	(228)	-	-	(1,829)
Computer equipment	(92)	(7)	-	-	(99)
Communication equipment	(133)	(15)	-	-	(148)
Furniture and fixtures	(210)	(7)	-	-	(217)
Asset retirement cost (Note 13)	(3,035)	(1,215)	-	-	(4,250)
	(55,775)	(10,665)	-	-	(66,440)
Net cost	52,484				57,779

10 MINING CONCESSIONS, EXPLORATION AND EVALUATION ASSETS

The movement of the item and its corresponding amortization has been as follows:

	Opening Balance US$000	Closing Additions US$000	Balance US$000
Year 2020:			
Cost -			
Development cost	681	-	621
Exploration cost	8,173	1,960	10,133
Concessions	2,831	163	3,054
	11,685	2,123	13,808

	Opening Balance US$000	Closing Additions US$000	Balance US$000
Impairment (Note 21) -			
Development cost	-	(557)	(557)
Exploration cost	-	(7,657)	(7,657)
Concessions	-	(2,831)	(2,831)
	-	(11,045)	(11,045)
Net cost	11,685		2,763
Year 2019:			
Cost -			
Development cost	560	121	681

Exploration cost	4,300	3,873	8,173
Concessions	85	2,746	2,831
Net cost	4,945	6,740	11,685

11 FINANCIAL OBLIGATIONS

The composition of the balance is as follows:

	2020	**2019**
	US$000	**US$000**
Loan Reactiva Perú program (a)	2,810	-
Loan BBVA Continental S.A.	1,000	-
	3,810	-

(a) On May 25, 2020, under the Reactiva Perú program, a government assistance program enacted by the Peruvian Government, the Company entered into a long-term loan with a local financial institution with the objective of improving its working capital, for a principal amount of S/10,000,000 (equivalent to US$2,759,000), at an annual interest rate of 1.62% in soles, for a period of three years, including a one-year grace period. The terms of this loan provide that funds may not be used to: (i) repay and/or prepay any current or due financing prior to repaying the loan; (ii) buy fixed assets, bonds, shares or make capital contributions; or (iii) distribute dividends or profits during its term, except in the case of profits to employees.

The difference between the initial book value of the loan measured at fair value in accordance with IFRS 9, Financial Instruments, and the income received, has been treated as a government grant in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” and is therefore recognized as deferred income considering the reasonable certainty that the Company will comply with the conditions associated with the aforementioned grant. The grant will be recognized in profit or loss on a systematic basis over the periods, deducting the financial expense generated by the loan which the benefit of the grant is intended to offset.

12 TRADE ACCOUNTS PAYABLE

As of December 31, 2020 and 2019, the item mainly includes balances payable to suppliers contracted by the Company for energy supply services, drilling services, concentrate transportation, and purchase of explosives, among others.

13 MINE REMEDIATION AND CLOSURE PROVISION

The movement as of December 31 is as follows:

	2020 US$000	2019 US$000
Opening balance	11,444	11,244
Provision update (Note 22)	194	282
Variation due to change in key assumptions (Note 9)	3,395	(30)
Payments	(53)	(52)
Closing balance	14,980	11,444
Current part	158	467
Non-current part	14,822	10,977

The Company must abide by environmental regulations in the development of all its activities, in all the jurisdictions in which it operates. This also includes the obligation, at the time of the closure of its operations, to remediate the disturbed areas where it has carried out its activities and over which it maintains mining title.

The Company is not aware of any negative effects on the environment arising from any of its properties that may give rise to significant obligations to third parties.

The environmental legislation has regulated the obligation to assume the costs and expenses associated with the closure obligation and the remediation of operations at the time of the completion of their activities, which requires financial planning to reduce the impact that these future expenses and costs could bring to the organization. This is in addition to the legislative measures requiring the Company to guarantee the necessary funds to carry out the remediation activities.

The main assumptions used by the Company to calculate the provision are summarized below:

	2020 US$000	2019 US$000
Estimated costs	14,205	11,226
Useful mine life	8	8
Claim period (years):	10	8
Discount rate (Risk-free rates)	0.36%	1.69%
Rate of inflation:	2.7%	2.2%

The useful life of the mine is evaluated annually, and is impacted by its physical limitations and the new evaluations of economically viable reserves. On September 14, 2020, the second modification of the Santander unit mine closure plan was submitted to the Ministry of Energy and Mines.

14 EQUITY

a) Capital stock -

As of December 31, 2020 and 2019, the authorized, subscribed and paid capital stock is represented by 176,609,150 common shares with a par value of S/1.00 per share.

As of December 31, 2020 and 2019, the Company's corporate structure comprises two shareholders, with the participation of the majority shareholder being greater than 99.99%.

b) Additional capital -

As of December 31, 2020, the additional capital corresponds to the capitalization of debts according to the accounting treatment adopted by the Company on the debt with Trevali Mining Corporation; said capitalization is pending approval and formalization in the Minutes of the Shareholders' Meeting.

c) Legal reserve -

In accordance with the General Law of Companies, the legal reserve is constituted with 10% of the net income until reaching an amount equivalent to 20% of the paid-in capital. In the absence of undistributed profits or freely available reserves, the legal reserve may be applied to offset losses, and must be replaced with the profits of subsequent years. This reserve can be capitalized and its replacement is also mandatory.

At the Regular Shareholders' Meeting held on April 15, 2020, it was decided to allocate a legal reserve for US$135,000 corresponding to the results of the year 2019.

d) Deficit -

A rate of 6.8% will be applied to the deficit other items likely to generate taxable dividends, referred to in article 24-A of the Law, obtained between January 1, 2015, and December 31, 2016, that are part of the distribution of dividends or any other form of distribution of profits, except for the assumption established in subsection g) of article 24-A of the Law, to which the rate of 4.1% will be applied.

15 TAX SITUATION

a) The Company calculates and declares income tax in soles. The Management considers that it has determined the taxable matter in soles under the general income tax regime in accordance with current tax legislation, which requires adding to and deducting from the result shown in the financial statements those items that the aforementioned legislation recognizes as taxable and non-taxable, respectively. The income tax rates as of December 31, 2020 and 2019 have been set at 29.5%, respectively. The (loss) taxable income has been determined as follows:

	2020 S/000	2019 S/000
(Loss) Taxable income for the year	(32,834)	36,005
Opening tax loss	-	(29,082)
(Loss) Closing taxable income	(32,834)	6,923
(Loss) Taxable income equivalent in US$	(9,075)	2,086

The tax loss of the taxable year will be offset year-over-year, until its amount is exhausted, to the net income obtained in the five (5) fiscal years immediately following, calculated from the year following that of its generation, in accordance with Legislative Decree No. 1481. The balance that is not offset once this period has elapsed cannot be calculated in the following years.

b) The Tax Administration has the power to review and, if applicable, correct the income tax determined by the Company in the last four years, counted from January 1 of the year following the filing of the corresponding tax return (years open to audit). The years 2016 to 2020 are subject to audit. As there may be differences in the interpretation by the Tax Administration of the regulations applicable to the Company, it is not possible to anticipate at the current time if additional tax liabilities will arise as a result of possible revisions. Any additional tax, arrears, surcharges and interest, if they occur, will be recognized in the profit and loss of the year in which the difference in criteria with the Tax Administration is resolved. Management estimates that no significant liabilities will arise as a result of these possible revisions.

c) For the purpose of determining the income tax and the general sales tax (value added tax), the transfer price between related and unrelated parties must have documentation and information supporting the valuation methods and criteria applied in his determination. The taxpayer must submit this documentation and information to the Tax Administration within the terms established in the schedule published by this body.

d) The movement of the deferred income tax is as follows:

	As of 31 December 2018 US$000	Payment (charge) to the income statement 2019 US$000	As of 31 December 2019 US$000	Payment (charge) to the income statement 2020 US$000	As of 31 December 2020 US$000
Deferred assets					
Tax loss	2,523	(2,523)	-	-	-
Provision for environmental remediation	3,317	(3,317)	-	-	-
Provision for price adjustment	207	2,105	2,312	(2,312)	-
Unpaid vacations	118	(57)	61	(61)	-
Mining royalties provision	94	(28)	66	(66)	-
Other items	480	(401)	79	(79)	-
	6,739	(4,221)	2,518	(2,518)	-
Deferred liabilities					
Depreciation and impairment of assets	(2,020)	(4,036)	(6,056)	6,056	-
Other items	(1,018)	994	(24)	24	-
	(3,038)	(3,042)	(6,080)	6,080	-
Net deferred assets (liabilities)	3,701	(7,263)	(3,562)	(3,562)	-

e) The income tax expense presented in the statement of comprehensive income comprises the following:

	2020 US$000	2019 US$000
Current income tax	-	566
Mining royalties and special mining tax	762	1,125
Deferred income tax (Note 15-d)	(3,562)	7,263
	(2,800)	8,954

f) A reconciliation between the income tax expense and the profit (loss) before taxes multiplied by the legal tax rate for the years 2020 and 2019 is presented below:

	2020 US$000	2020 %	2019 US$000	2019 %
(Loss) Income before income taxes	(68,239)	100.00	11,687	100.00
Theoretical tax	(20,131)	29.50	3,448	29.50
Permanent items	417	(0.60)	(272)	(2.33)
Tax loss prior periods	-	-	2,586	22.13
Reversal of the deferred with no expectation of recovery (i)	3,562	(5.38)	-	-
Temporary items for the year with no expectation of recovery (i)	15,289	(22.41)	-	-
Translation effect	2,758	(4.04)	1,838	15.73
Others	143	(0.21)	229	1.96
Income tax expense	2,038	(2.97)	7,829	66.99
Mining royalties and special mining tax	762	(1.12)	1,125	9.63
	2,800	(4.09)	8,954	76.62

(i) Corresponds to the rebate of the deferred income tax since, according to the Company's estimate of future taxable income, the asset will not be recovered. These estimates were affected by COVID-19, the facts and circumstances of which are described in Note 1.

g) Temporary tax on net assets -

The Temporary Tax on Net Assets is levied on third category income generators subject to the general Income Tax regime. The tax rate is 0.4% applicable to the amount of net assets that exceed S/1,000,000.

The amount actually paid may be used as a credit against the payments on account of the General Income Tax Regime or against the regularization payment of the Income Tax of the taxable year to which it corresponds.

The refund of the tax may be requested only in the event that proof is given that tax losses have been incurred or a lower payment of Income Tax has been determined based on the rules of the general regime.

16 NET SALES

The sales for the year ended December 31, 2020 and 2019 comprise:

	2020 US$000	2019 US$000
Lead and silver concentrates	11,105	17,342
Zinc concentrates	38,834	49,799
	49,939	67,141

All sales are made to Glencore Perú S.A.C.

17 SALES COST

The cost of sales of mineral concentrates includes:

	2020 US$000	2019 US$000
Opening balances of stockpiles (Note 8)	1,159	1,128
Opening balances of ore concentrates (Note 8)	373	319
Depreciation (Note 9)	5.373	10,665
Amortization	192	74
Electricity	6,505	7,346
Services provided by third parties (a)	19,161	21,847
Production reduction costs (Note 1.4)	2,233	-
Other production costs	438	400
Personnel expenses	3,005	3,294
Inventory obsolescence provision (Note 8)	457	8
Consumption of supplies and spare parts	3,499	4,297
Opening balances of stockpiles (Note 8)	(571)	(1,159)
Closing balances of ore concentrates (Note 8)	(271)	(373)
	41,553	47,846

(a) As of December 31, 2020 and 2019, the Company recorded the following under services provided by third parties:

	2020 US$000	2019 US$000
Operating services	15,050	16,642
Maintenance of machinery and equipment	1,238	1,489
Management	605	683
Advice and consulting	292	611
Rentals	227	583
Transportation	870	513
	2020 US$000	2019 US$000
Meals	418	484
Medical services	461	406
Miscellaneous	-	436
	19,161	21,847

18 SELLING EXPENSES

Selling expenses include:

	2020 US$000	2019 US$000
Transportation of concentrates	2,440	3,503
Laboratory administrative expenses	35	39
Sample analysis expenses	27	17
	2,502	3,559

19 ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31 include:

	2020 US$000	2019 US$000
Advice and consulting	1,454	997
Insurance	769	274
Personnel expenses	651	761
Administrative management services	36	80
Other expenses	59	78
	2,969	2,190

20 IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviewed its property, plant and equipment and exploration and evaluation assets at the cash-generating unit ("CGU") level to determine if there is any indication that these assets are impaired.

The following factors were considered indicators of impairment as of March 31, 2020:

- The deterioration in the short-term zinc price outlook resulted in an adverse change in the economy of Santander, whose carrying amount was close to the estimated recoverable amount as of December 31, 2019.

The following factor was considered an indicator of impairment as of December 31, 2020:

- Following the completion of the studies in December 2020, the Life-of-Mine plan for the Santander mine was revised with mining operations at the Magistral deposit scheduled to be completed by the end of 2021 and the economic viability of Santander was reassessed. The Santander operation is expected to move into an exploration phase to focus on the discovery and definition of new mineralization to complement existing mineral resources.

As a result of the previously identified impairment indicators, the recoverable amounts of the CGUs of the Santander mining unit were estimated and compared with their respective book values.

No indicators of impairment reversal were identified during the year ended December 31, 2020.

The following impairment charges for the year ended December 31, 2020, correspond to:

	2020 US$000
Property, plant and equipment (Note 9)	55,611
Mining concessions, exploration and evaluation assets (Note 10)	11,045
Other intangible assets	135
	66,791

The recoverable value of CGUs is based on their projected after-tax cash flows expected to arise from the Company's mining properties and represents the fair value of each CGU less cost of disposal ("FVLCD"). The projected cash flows used in the impairment tests are significantly affected by changes in zinc price assumptions, changes in production volumes, operating costs, capital expenditures and discount rates. The FVLCD determination uses level 3 inputs.

During the first quarter of 2020, the Company's short-term zinc price assumptions were revised as a direct result of the zinc price decline caused by COVID-19. In addition, cash preservation initiatives resulted in the deferral of feasibility activities related to the Santander Pipe and, as such, a delay in production from this potential ore source was incorporated into the recoverable amount estimate.

Following the completion of the studies in December 2020, the Life-of-Mine plan for the Santander mining unit was revised with mining operations at the Magistral deposit scheduled for completion in late 2021 and the economic viability of Pipe Santander re-evaluated due to the update of its estimates of capitalizable and operating disbursements and the possible development schedule. The Santander operation is expected to move into an exploration phase to focus on the discovery and definition of new mineralization to complement existing mineral resources.

The valuation is sensitive to the key assumptions used and further appreciation/impairment in price prospects, increases/decreases in reserves and resources, or changes in the economic viability of Pipe Santander that may result in further reversal/impairment. It is estimated that a change of US$0.05 per pound in the zinc price assumption for 2021 (holding all other assumptions constant) would result in a further impairment or reversal of impairment of US$2,500,000.

The impairment tests performed by the Company included the following key assumptions:

Zinc prices:

Forecast zinc prices are based on Management’s estimates and are derived from long-term views of global supply and demand, based on industry experience, according to external sources.

	As of December 31, 2020		As of March 31, 2020			As of December 31, 2021		
	2021	Long term > 2022	2020	2021	Long term >2022	2020	2021	Long term >2022
Zinc (US$/lb)	1.15	1.10	0.98	1.13	1.14	1.15	1.15	1.14

Production volumes:

Estimated production volumes and timing are based on Life-of-Mine plans and internal management forecasts and take into account the long-term development plans of the mining unit. Production volumes depend on several variables, including the amount of recoverable resources, production and other cost estimates, future capital expenditures and exploration potential.
Production profiles used the most recent reserve and resource estimates and resource conversion rates based on historical conversion and future expectation.

Operating costs and capitalizable disbursements:

Operating costs (including care and maintenance costs) and capitalizable expenditures are based on the most recent approved financial budgets, the current operating costs.

The assumptions of operating costs and capitalizable disbursements are subject to continuous review.

Weighted average cost of capital:

Projected cash flows for Santander's CGUs were discounted using real after-tax discount rates of 8%. This discount rate is derived from the Company's weighted average cost of capital, with appropriate adjustments made to reflect the specific risks of the CGU.

21 OTHER EXPENSES

Other expenses include the following:

	2020	**2019**
	US$000	**US$000**
Provision for doubtful collections (Note 7b)	1,329	-
Non-recoverable provision for General Tax on Sales	1,562	-
Surety insurance - Mine closure plan	118	126
Environmental - OEFA	48	87
Contribution to the Supervisory Agency for Investment in Energy and Mining - OSINERGMIN	68	103
Contribution to the Royalty Evaluation and Supervision Body NSR (i)	-	1,946
Fiscal and administrative penalties and taxes assumed	-	152
Other minor expenses	512	98
	3,637	2,512

(i) On November 13, 2019, Santander Concesiones transferred ownership of the mining concessions in favor of Trevali Peru, terminating the mining assignment contract between both parties on October 31, 2019, and as a consequence, the obligation to pay the NSR royalty was extinguished.

22 FINANCIAL EXPENSES

This item includes the following:

	2020	**2019**
	US$000	**US$000**
Interest expenses:		
- Loans from related parties (Note 7)	860	923
- Mine remediation and closure provision update (Note 13)	194	282
- Other financial expenses	98	38
	1,152	1,243

23 CONTINGENCIES AND COMMITMENTS

Contingencies -

As of December 31, 2020 and 2019, the Company has recorded labor contingencies in the amount of US$53,000.

Based on the evaluation by Management and its legal advisors, it is not expected to incur significant expenses derived from contingent liabilities that are not provisioned in these financial statements.

Commitments -

As of December 31, 2020 and 2019, the Company maintains guarantees with Banco Scotiabank Perú for US$85,000 and a surety policy for US$11,517,000 for the benefit of the Ministry of Energy and Mines to guarantee the Company's mine closure activities.

24 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Between December 31, 2020, and the date of authorization for the issuance of the financial statements, no subsequent events have occurred that, in the opinion of the Company's Management, require any additional disclosure in the notes or any adjustment to the balances presented in these financial statements.

Schedule "B"

See attached.

TREVALI PERU S.A.C.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND SEPTEMBER 30, 2020

TREVALI PERU S.A.C.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2021, AND SEPTEMBER 30, 2020
CONTENTS

US$ = American dollar
S/ = Sol

STATEMENT OF FINANCIAL POSITION

	Note	As of September 30 2021 US$000	2020 US$000
ASSETS			
Current assets			
Cash and cash equivalents	4	10 970	3 957
Trade accounts receivable from related parties	5	6 757	7 701
Other accounts receivable:			
- Third parties		339	244
- Related parties		34	899
Inventories	6	2 138	2 648
Prepaid Expenses		188	196
Prepaid taxes		1 964	568
Balance in favor of Income tax		-	
Total current assets		22 390	16 213
Non-current assets			
Restricted cash		85	170
Prepaid taxes		15	4 695
Other accounts receivable:			
- Related parties	5	-	433
Property, plant and equipment	7	3 734	43 596
Mining concessions, exploration and evaluation	8	5 021	6 119
Other intangible assets		18	167
Total non-current assets		8 873	55 180
TOTAL ASSETS		31 263	71 393
LIABILITIES AND EQUITY			
Current liabilities			
Financial obligations	9	1 174	1 000
Trade accounts payable:			
- Third parties	10	9 731	9 830
- Related parties	5	723	593
Income tax payable		172	359
Other accounts payable		2 101	1 613
Total current liabilities		13 901	13 395
Non-current liabilities			
Financial obligations	9	978	4 779
Other accounts payable:			
- Related parties	5	-	2 338
Loan to related parties	5	-	18 813
Deferred income		-	75
Deferred income taxes		-	1 013
Mine remediation and closure provision		15 129	12 015
Total non-current liabilities		16 107	39 033
Total liabilities		30 008	52 428
Equity			
Capital stock		82 067	63 254
Legal reserve		-	4 538
Retained earnings		(80 812)	(48 827)
Total equity		1 255	18 965
TOTAL LIABILITIES AND EQUITY		31 263	71 393

STATEMENT OF COMPREHENSIVE INCOME AND LOSS

	For the nine-months ended September 30	
	2021	2020
	US$000	US$000
Sales	43 720	33 273
Sales cost	(32 634)	(27 030)
Gross profit	11 086	6 243
Operating (expenses) income:		
Selling expenses	(1 230)	(1 838)
Administrative expenses	(2 273)	(827)
Impairment of long-lived assets	-	(23 201)
Other expenses	(1 351)	(3 992)
Other income	1 620	871
(Loss) operating income	7 852	(22 744)
Financial income	3	7
Financial expenses	(351)	(751)
Exchange difference, net	10	(523)
(Loss) Income before income tax and royalty	7 514	(24 011)
Royalty	(443)	(330)
Income tax	(18)	2 478
(Loss) profit and comprehensive profit and loss for the year	7 053	(21 863)

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	Capital stock US$000	Legal reserve US$000	Retained earnings US$000	Total US$000
Balances as of January 1, 2020	63 254	4 403	(26 829)	40 828
Allocation of legal reserve	-	135	(135)	-
Comprehensive profit and loss for the nine-month period ended September 30, 2020	-	-	(21 863)	(21 863)
Balances as of September 30, 2020	63 254	4 538	(48 827)	18 965
Balances as of January 1, 2021	63 254	4 538	(92 403)	(24 611)
Debt Capitalization	18 813			18 813
Allocation to the legal reserve	-	(4 538)	4 538	-
Comprehensive profit and loss for the nine-month period ended September 30, 2021	-	-	7 053	7 053
Balances as of September 30, 2021	82 067	-	(80 812)	1 255

STATEMENT OF CASH FLOWS

	Note	For the nine-months ended September 30 2021 US$000	2020 US$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss (profit) for the year		7 053	(21 863)
Adjustments to the profit and loss of the year that do not affect the cash flows of operating activities:			
Depreciation	7	2 522	4 003
Amortization		11	155
		325	-
Financial expenses			752
Impairment of property, plant and equipment		-	23 201
Inventory devaluation		-	
Accrued interest		-	
Deferred income tax		-	(2 548)
Variation in assets and liabilities:		-	
Trade accounts receivable from related parties		1 327	(6 279)
Other accounts receivable from third parties		37	12
Other accounts receivable from related parties		-	(2)
Inventories		(35)	356
Prepaid expenses		315	(153)
General Sales Tax credits		518	(1 553)
Income tax provision		84	430
Payment of taxes		-	-
Trade accounts payable to third parties		(957)	(405)
Accounts payable to related parties		(946)	2 081
Other accounts payable to third parties		(75)	(1 122)
Mine remediation and closure provision		-	-
Payment of income tax		-	-
Net cash provided by operating activities		10 179	(2 935)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment	7	(834)	(5 365)
Investment in mining concessions and mine development	8	(2 591)	(2 190)
Other intangible assets		-	-
Net cash applied to investment activities		(3 425)	(7 555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received from third parties		-	5 755
Payment of third-party loans		(1 310)	-
Loans received by related party		-	-
Payment of loans received from shareholders and related parties		-	6 100
Interest payment		-	-
Net cash provided by (applied to) financing activities		(1 310)	11 855
Net change in cash and cash equivalents		5 444	1 365
Balance of cash and cash equivalents at the beginning of the year		5 526	2 592
Balance of cash and cash equivalents at the end of the year		10 970	3 957
Transactions that do not represent cash flows:			
Update of the mine remediation and closure provision		40	146
Changes in key assumptions of mine remediation and closure provision		90	473

1 GENERAL INFORMATION

1.1 Company Identification -

Trevali Perú S.A.C. (hereinafter the Company) is a wholly owned subsidiary (100%) of Trevali Mining Corporation (hereinafter TMC or the parent company), the latter the controlling company, domiciled in Canada. The Company was incorporated on June 15, 2007, in Peru, and it began operations on July 1 of the same year. The company's principal place of business is Av. Guardia Civil 1321, Piso 17, distrito de Surquillo, Lima, Perú.

1.2 Business activities -

The Company carries out all types of mining activities, without exception, including exploration and exploitation of mineral rights, beneficiation and marketing of minerals and metals, such as lead, zinc and silver, in the Santander mining unit, which is located in Santa Cruz de Andamarca District, Huaral Province, Department of Lima, Peru.

1.3 Impact of the outbreak of COVID-19 on the Company's financial statements and operations -

A national state of emergency was declared by the Government of Peru on March 16, 2020. As a result, the Company adopted a series of measures, which included:

1. The Santander mining unit continued mining operation activities in a limited way, and due to the lack of critical supplies, it suspended operational activities at the plant in the last week of March 2020 through May 2, 2020. Remote work was implemented for Lima office staff so as not to affect processes related to the chain of payments and operational support. This remote work measure will be maintained as long as the nationwide state of emergency continues.

2. As of May 2, 2020, as the national economy reactivated and protocols were implemented to avoid the transmission of COVID-19, the Santander mining unit restarted operations gradually. However, the impact of COVID-19 affected staffing flows from March through September 2020, making it difficult for the Company to mobilize operations staff. Currently, the Company has overcome this situation and recovered operational levels.

The impact of COVID-19 is mainly reflected as reduced production and, consequently, as a reduction in sales volume. In addition, there have been indirect fixed costs during this quarantine such as labor, equipment and facility maintenance, among others, despite lower production. Likewise, there have also been expenses related to COVID-19 (including indirect fixed costs of production directly absorbed by the cost of sales).

On January 27, 2021, the Peruvian Government, in response to the "second wave" of COVID-19, declared a new quarantine period in certain cities in the country for two weeks, which ended on February 14, 2021. On February 10, 2021, this period was extended for two additional weeks through February 28, 2021. Presently, operations have not been affected by these additional measures.

1.4 Financial condition and management plans -

As of September 30, 2020, the Company has accumulated loss of US$80,812,000 with a negative equity of US$1,255,000. Thus, the Company's accumulated losses reduced its net equity to a negative amount. Given this situation, and because the Company is still in operation, it adopted the status of de facto corporation according to the provisions set forth by the General Companies Law (LGS, Spanish acronym). Considering the conditions of the international economy and the basic metals market still impacted by the effects of COVID-19 and in order to guarantee the sustainability of the operation, the Company implemented certain operational actions such as:

- Implementation of a cost reduction policy in general;
- Implementation of strict protocols to avoid the risk of shutdown due to COVID-19;
- Negotiations and bidding processes with contractors to reduce the value of the contracts;
- Permanent review of the production plan in order to guarantee its compliance and optimization.
- In 2020, exploration activities began in new areas, with the purpose of increasing resources and reserves. It has continued during 2021;
- The Company is in the process of implementing the drilling program in the present area of operation to confirm the expansion of reserves.
- The Company is financially supported by its parent company, Trevali Mining Corporation.

Additionally, as of September 30, 2020, the Company also has a positive working capital of US$8,489,000 (US$2,818,000 as of September 30, 2020).

In addition, third-party partnerships are under consideration, including purchasing minerals for processing and/or providing grinding services.

Additionally, on January 18, 2021, Trevali Mining Corporation announced that by the end of 2021, mining operations in the Magistral deposits will be completed, and the operation in Santander will go through an exploration phase to focus on the discovery and definition of new mineralization to complement the existing mineral resource at Santander Pipe.

Though these measures will partially mitigate the Company's financial position, its status will remain a de facto corporation under the General Corporations Act. This is why the Company is evaluating several corporate alternatives to allow a reversal of the financial position described above.

The financial statements as of September 30, 2021, have been prepared considering the Company will continue as an operating business, since the Management reasonably expects the Company has sufficient resources to continue operating in the foreseeable future, by means of its operations and, if necessary, financial support from its parent company or from available credit lines in the national and international banking sector.

2 SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used to prepare the financial statements are described below. These policies have been applied consistently for the years presented.

2.1 Preparation basis -

The Company financial statements have been prepared according to International Financial Reporting Standards (hereinafter IFRS) established by the International Accounting Standards Board (hereinafter IASB) effective as of September 30, 2021.

The information contained in these financial statements is the responsibility of the Company's Management, which expressly confirms that the principles and criteria contemplated in the IFRS issued by the IASB have been applied in their preparation.

The financial statements result from the Company's accounting records, which have been prepared according to the historical cost principle, except for trade account receivables, which are measured on every report date at fair value. The financial statements are presented in thousands of American dollars (under the heading US$000).

The preparation of the financial statements under IFRS requires certain critical accounting estimates. It also requires Management to use their judgement in the process of applying the Company's accounting policies. The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements are described in Note 3.

2.2 Fair Value Estimate -

Management estimates that the book values of the Company's financial instruments (current financial assets and liabilities) as of September 30, 2021 and 2020 do not differ significantly from their fair values due to their short-term maturity; therefore, the disclosure of said information is not relevant for an adequate interpretation of the financial situation of the Company on those dates.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The accounting estimates and criteria used in the preparation of the financial statements are continually evaluated by Management and are based on historical experience and other factors, including the expectation of the occurrence of future events, which are considered reasonable under the circumstances.

The Company makes estimates and assumptions regarding the future. The resulting accounting estimates may differ from the respective actual results. The estimates and assumptions that have a risk of causing adjustments to the balances of reported assets and liabilities and critical judgments in the application of accounting policies are presented below:

Critical Accounting Assumptions and Estimates -

a) Impairment of long-lived assets -

The Company estimates that the value of its assets will be recovered in the normal course of its operations. The impairment loss is recognized for the amount by which an asset or cash-generating unit exceeds its recoverable value, which corresponds to the higher value between its fair value less costs to sell and its value in use.

To determine the value in use, Management estimates the future cash flows for each asset or cash-generating unit and determines an appropriate interest rate to calculate its present value. In the process of measuring future cash flows, Management makes assumptions about future results.

These assumptions relate to future events and circumstances. Actual results may vary and may cause material adjustments to the Company's assets in the future. In most cases, determining the appropriate discount rate includes making adjustments as necessary to account for market-specific risk and asset-specific risk.

b) Determination of mineral reserves and resources -

Reserves represent the estimated proven and probable mineral resources that can be economically processed under current conditions.

The process of estimating mineral reserves is complex and requires evaluating available information on geology, geophysics, engineering, and economics, which is highly subjective. The Company applies the method of the Australian Joint Ore Reserves Committee (JORC) Code to estimate reserves and resources. This method includes authoritative guidelines regarding the engineering criteria that must be met before estimated mineral reserves are designated as "proven" and "probable." Consequently, reserves estimates may be revised and adjusted for various reasons, such as changes in geological data or assumptions, changes in estimated prices, changes in production costs and changes in the results of exploration activities.

Changes in the reserves estimate directly and mainly affect the evaluation of the impairment of exploration and evaluation assets, to the extent that they modify the production profiles.

c) Taxes -

The determination of tax obligations and expenses requires interpretations of the applicable tax legislation. The Company receives professional advice on tax matters when making any decision on tax matters. Even when Management considers that its tax estimates are prudent and conservative, discrepancies may arise with the tax administration in the interpretation of regulations that require tax adjustments in the future.

d) Mine remediation and closure provision -

The Company calculates a remediation and closure provision for its mining unit on an annual basis. In order to determine said provision, it is necessary to make significant estimates and assumptions, since there are numerous factors that will affect the amount of this obligation. These factors include estimates of the scope and costs of closure activities, changes in technology, changes in regulations, cost increases relative to inflation rates, and changes in discount rates.

These uncertainties may cause actual future expenses to differ from the amounts provisioned. As of the date of the financial statements, the provision reflects Management's best estimate of the present value of future rehabilitation costs required.

4 CASH AND CASH EQUIVALENTS

This item includes as at September 30:

	2021	2020
	US$000	US$000
Deposits in current accounts	10,970	3,957

The Company maintains its current accounts in local currency and in US dollars in local financial entities; they are freely available and do not generate interest.

5 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Transactions between related parties -

The following transactions were carried out with related parties for the nine-month period ended September 30:

	2021 US$000	2020 US$000
Income:		
Sale of concentrates to Glencore Perú S.A.C.	43,720	33,273
Expenditure:		
Management services	1,743	1,409
Financial interests	265	550
	2,008	1,959

b) Accounts receivable from related parties as at September 30 -

	2021 US$000	2020 US$000
Trade accounts receivable -		
Glencore Perú S.A.C. (i)	6,757	7,701
Other accounts receivable -		
Compañia Minerales Santander S.A.C.	1,145	1,299
Trevali Mining Corporation	34	34
	1,179	1,332
Provision for doubtful accounts	(1,145)	-
	34	1,332
Current portion	34	899
Non-current portion	-	433

(i) These accounts receivable correspond to the sale of concentrates invoiced to Glencore Perú S.A.C. and they are net of the price adjustments of the provisional settlements.

c) Accounts payable to related parties as at September 30 -

	2021 US$000	2020 US$000
Business accounts payable -		
Trevali Mining Corporation (i)	723	2,931
Current portion	723	593
Non-current portion	-	2,338
Loans payable -		
Trevali Mining Corporation (ii)	-)	18,813

(i) Trade accounts payable correspond to services received and purchases of goods. These balances do not accrue interest and are of current maturity.

(ii) As of December 31, 2020, the Company has capitalized the loans it had with its parent company.

6 INVENTORIES

This item includes as at September 30:

	2021 US$000	2020 US$000
Stockpiles	190	646
Ore concentrate	335	135
Supplies	2,210	2,007
	2,735	2,788
Inventory devaluation	(597)	(140)
	2,138	2,648

The movement of inventory devaluation is as follows:

	2021 US$000	2020 US$000
Opening balance	140	140
Provision for the year	457	-
	597	140

In the opinion of the Company's Management, the risk of inventory devaluation is covered as of September 30, 2021 and 2020 and no provision is necessary.

7 PROPERTY, PLANT AND EQUIPMENT

The movement of the property, plant and equipment item and its corresponding accumulated depreciation, for the years ended September 30, 2021 and 2020, has been as follows:

	Opening Balance US$000	Additions US$000	Disposals US$000	Transfer US$000	Closing Balance US$000
September 30, 2021:					
Cost -					
Buildings	9,506	-	-	1,062	10,568
Mining unit	129,491	-	-	-	129,491
Plant	39,338	-	-	-	39,338
Facilities	12,695	-	-	69	12,764
Misc. equipment	6,354	(107)	-	23	6,270
Computer equipment	141	-	-	-	141
Communication equipment	243	-	-	9	252
Furniture and fixtures	284	-	-	-	284
Work in progress	2,996	898	(47)	(1,162)	2,685
Asset retirement cost	12,956	90	-	-	13,045
	214,004	881	(47)	-	214,838
Impairment -					
Buildings	(3,716)	-	-	-	(3,716)
Mining unit	(90,713)	-	-	-	(90,713)
Plant	(22,760)	-	-	-	(22,760)
Facilities	(5,681)	-	-	-	(5,681)
Miscellaneous equipment	(4,076)	-	-	-	(4,076)
Computer equipment	(33)	-	-	-	(33)
Communication equipment	(81)	-	-	-	(81)
Furniture and fixtures	(62)	-	-	-	(62)
Work in progress	(2,705)		-	-	(2,705)
Asset retirement cost	(7,277)	-	-	-)	(7,277)
	(137,104)	(-)	-	-)	(137,104)

	Opening Balance US$000	Additions US$000	Disposals US$000	Transfer US$000	Closing Balance US$000
Depreciation -					
Buildings	(5,576)	(60)	-	-	(5,636)
Mining unit	(36,250)	(1,247)	-	-	(37,497)
Plant	(15,709)	(428)	-	-	(16,138)
Facilities	(6,949)	(16)	-	-	(6,965)

Miscellaneous equipment	(1,994)	(14)	-	-	(2,008)
Computer equipment	(106)	(1)	-	-	(107)
Communication equipment	(159)	(2)	-	-	(161)
Furniture and fixtures	(221)	(1)	-	-	(221)
Asset retirement cost	(4,848)	(419)	-	-	(5,267)
	(71,812)	(2,188)	-	-	(74,000)
Net cost	5,088				3,734
September 30, 2020:					
Cost -					
Buildings	7,366)	-	-	73	7,439)
Mining unit	126,738)	2,941	-	-	129,679)
Plant	38,630)		-	559	39,189)
Facilities	12,475)	-	-	-	12,475)
Miscellaneous equipment	5,621)		-	54	5,675)
Computer equipment	141)		-	-	141)
Communication equipment	243)		-	-	243)
Furniture and fixtures	284)	-	-	-	284)
Work in progress	4,650)	1,952	-	(686)	5.916)
Asset retirement cost	9,561)	472	-	-	10.034)
	205,709)	5,365	-	-	211,074)
Impairment -					
Buildings	(1,471)	-	-	-	(1,471)
Mining unit	(57,168)	-	-	-	(57,168)
Plant	(16,297)	-	-	-	(16,297)
Facilities	(4,021)	-	-	-	(4,021)
Miscellaneous equipment	(2,398)	-	-	-	(2,398)
Computer equipment	(22)	-	-	-	(22)
Communication equipment	(66)	-	-	-	(66)
Furniture and fixtures	(47)	-	-	-	(47)
	(81,490)	-	-	-	(81,490)
Depreciation -					
Buildings	(5,313)	(156)	-	-	(5,470)
Mining unit	(32,989)	(2,519)	-	-	(35,508)
Plant	(14,891)	(585)	-	-	(15,476)
Facilities	(6,704)	(197)	-	-	(6,901)
Miscellaneous equipment	(1,829)	(111)	-	-	(1,938)
Computer equipment	(99)	(2)	-	-	(101)
Communication equipment	(148)	(11)	-	-	(159)
Furniture and fixtures	(217)	(4)	-	-	(221)
Asset retirement cost	(4,250)	(418)	-	-	(4,669)
	(66,440)	(4,003)	-	-	(70,443)
Net cost	57,779				43,596

8 MINING CONCESSIONS, EXPLORATION AND EVALUATION

The movement of the item and its corresponding amortization has been as follows:

	Opening Balance US$000	**Closing Additions US$000**	**Balance US$000**
September 30, 2021:			
Cost -			
Development cost	621	-	621
Exploration cost	9.988	2,315	12,303
Concessions	3,167	(25)	3,145
	13,776	2,290	16,066

	Opening Balance US$000	**Closing Additions US$000**	**Balance US$000**
Impairment -			
Development cost	(-)	(7,657)	(7,657)
Exploration cost	(757)	(2,074)	(2,832)
Concessions	(-)	(557)	(557)
	(757)	(10,288)	(11,046)
Net cost	13,019		5,021

September 30, 2020:

Cost –			
Development cost	621	-	621
Exploration cost	8,173	1,815	9,988
Concessions	2,891	276	3,167
Net cost	11,685	2,091	13,776
Impairment -			
Development cost	(-)	(7,657)	(7,657)
Exploration cost	(-)	(-)	(-)
Concessions	(-)	(-)	(-)
	(-)	(7,657)	(7,657)
Net cost	11,685		6,119

9 FINANCIAL OBLIGATIONS

The composition of the balance is as follows as at September 30:

	2021 US$000	2020 US$000
Loan Reactiva Perú program	1,174	347
Loan Reactiva Perú program	978	2,432
BBVA Continental S.A. Loan	-	3,000
	2,152	5,779
Current portion	1,174	1,000
Non-current portion	978	4,779

On May 25, 2020, under the Reactiva Perú program, a government assistance program enacted by the Peruvian Government, the Company entered into a long-term loan with a local financial institution with the objective of improving its working capital, for a principal amount of S/10,000,000 (equivalent to US$2,759,000), at an annual interest rate of 1.62% in soles, for a period of three years, including a one-year grace period. The terms of this loan provide that funds may not be used to: (i) repay and/or prepay any current or due financing prior to repaying the loan; (ii) buy fixed assets, bonds, shares or make capital contributions; or (iii) distribute dividends or profits during its term, except in the case of profits to employees.

The difference between the initial book value of the loan measured at fair value in accordance with IFRS 9, Financial Instruments, and the income received, has been treated as a government grant in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance,” and is therefore recognized as deferred income considering the reasonable certainty that the Company will comply with the conditions associated with the aforementioned grant. The grant will be recognized in profit or loss on a systematic basis over the periods, deducting the financial expense generated by the loan which the benefit of the grant is intended to offset.

10 TRADE ACCOUNTS PAYABLE

As of September 30, 2021 and 2020, the item mainly includes balances payable to suppliers contracted by the Company for energy supply services, drilling services, concentrate transportation, and purchase of explosives, among others.

11 EQUITY

a) Capital stock -

As of September 30, 2021 and 2020, the authorized, subscribed and paid capital stock is represented by 176,609,150 common shares with a par value of S/1.00 per share.

As of September 30, 2021 and 2020, the Company's corporate structure comprises two shareholders, with the participation of the majority shareholder being greater than 99.99%.

b) Additional capital -

As of December 31, 2020, the additional capital corresponds to the capitalization of debts according to the accounting treatment adopted by the Company on the debt with Trevali Mining Corporation; said capitalization was approved and formalized in the Minutes of the Shareholders' Meeting.

c) Legal reserve -

In accordance with the General Law of Companies, the legal reserve is constituted with 10% of the net income until reaching an amount equivalent to 20% of the paid-in capital. In the absence of undistributed profits or freely available reserves, the legal reserve may be applied to offset losses, and must be replaced with the profits of subsequent years. This reserve can be capitalized and its replacement is also mandatory.

At the Regular Shareholders' Meeting held on April 15, 2020, it was decided to allocate a legal reserve for US$135,000 corresponding to the results of the year 2019.

d) Retained earnings -

A rate of 6.8% will be applied to retained earnings or other items likely to generate taxable dividends, referred to in article 24-A of the Law, obtained between January 1, 2015, and December 31, 2016, that are part of the distribution of dividends or any other form of distribution of profits, except for the assumption established in subsection g) of article 24-A of the Law, to which the rate of 4.1% will be applied.

12 TAX SITUATION

a) The Company calculates and declares income tax in soles. The Management considers that it has determined the taxable matter in soles under the general income tax regime in accordance with current tax legislation, which requires adding to and deducting from the result shown in the financial statements those items that the aforementioned legislation recognizes as taxable and non-taxable, respectively. The income tax rates as of December 31, 2020 and 2019 have been set at 29.5%, and is expected to be the same in 2021.

Any tax loss of the taxable year will be offset year-over-year, until its amount is exhausted, to the net income obtained in the five (5) fiscal years immediately following, calculated from the year following that of its generation, in accordance with Legislative Decree No. 1481. The balance that is not offset once this period has elapsed cannot be calculated in the following years.

b) The Tax Administration has the power to review and, if applicable, correct the income tax determined by the Company in the last four years, counted from January 1 of the year following the filing of the corresponding tax return (years open to audit). The years 2016 to 2020 are subject to audit. As there may be differences in the interpretation by the Tax Administration of the regulations applicable to the Company, it is not possible to anticipate at the current time if additional tax liabilities will arise as a result of possible revisions. Any additional tax, arrears, surcharges and interest, if they occur, will be recognized in the profit and loss of the year in which the difference in criteria with the Tax Administration is resolved. Management estimates that no significant liabilities will arise as a result of these possible revisions.

c) For the purpose of determining the income tax and the general sas tax (value added tax), the transfer price between related and unrelated parties must have documentation and information supporting the valuation methods and criteria applied in his determination. The taxpayer must submit this documentation and information to the Tax Administration within the terms established in the schedule published by this body.

d) Temporary tax on net asset -

Temporary Tax on Net Assets is levied on third category income generators subject to the general Income Tax regime. The tax rate is 0.4% applicable to the amount of net assets that exceed S/1,000,000.

The amount actually paid may be used as a credit against the payments on account of the General Income Tax Regime or against the regularization payment of the Income Tax of the taxable year to which it corresponds.

The refund of the tax may be requested only in the event that proof is given that tax losses have been incurred or a lower payment of Income Tax has been determined based on the rules of the general regime.

13 CONTINGENCIES AND COMMITMENTS

Contingencies -

As of September 30, 2021 and 2020, the Company has recorded labor contingencies in the amount of US$53,000.

Based on the evaluation by Management and its legal advisors, it is not expected to incur significant expenses derived from contingent liabilities that are not provisioned in these financial statements.

Commitments -

As of September 30, 2021 and 2020, the Company maintains guarantees with Banco Scotiabank Perú for US$85,000 and a surety policy for US$11,517,000 for the benefit of the Ministry of Energy and Mines to guarantee the Company's mine closure activities.

14 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On November 8, 2021, Trevali Mining Corporation, the parent company, announced that it has entered into a share purchase agreement (the "Agreement") with Cerro De Pasco Resources Inc. ("Cerro De Pasco"), pursuant to which it has agreed to sell its Santander Mine in Peru to Cerro De Pasco.

Between September 30, 2021, and the date of authorization for the issuance of the financial statements, no subsequent events other than the Agreement mentioned above have occurred that, in the opinion of the Company's Management, require any additional disclosure in the notes or any adjustment to the balances presented in these financial statements.