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# CERRO DE PASCO RESOURCES INC.

## ESTMA POLICY

### 1. OBJECTIVE

The purpose of this Policy is to provide guidance and procedures to ensure that Cerro de Pasco Resources Inc. and all of its subsidiaries (the “Company” or “CDPR”) comply with the reporting requirements of the Extractive Sector Transparency Measures Act (“ESTMA” or the “Act”). This Policy is based on CDPR’s existing policies, including the Code of Conduct and Ethics and the Anti-Corruption Policy considering that all the Payments made, reportable or not, are in accordance with these policies and with CDPR’s internal procedures. CDPR must file the annual report required under the Act with the Federal Minister of Natural Resources Canada (“NRCan”) and place it on the Company’s website within 150 days of CDPR’s financial year end. All records, documentation and supporting evidence must be retained by the Company for a seven-year period from the day in which the applicable annual report is filed.

All capitalized terms are defined on section 3 herein.

### 2. SCOPE

Given that Cerro de Pasco Resources, Inc. (“CDPR”) is an Entity listed on a Canadian Stock Exchange, it becomes a Reporting Entity subject to the Act. Therefore, this Policy, including the obligation to report Payments, applies to CDPR and all its subsidiaries and controlled, directly or indirectly, companies, which are also engaged in the Commercial Development of oil, gas, or minerals. All these Payments should be centralized in an ESTMA Report.

### 3. DEFINITIONS

**ESTMA Report:** A report that includes Reportable Payments made to any Government Payee in Canada or in any other country during a financial year, by all the Reporting Entities and Entities under the scope of this Policy.

**Entity:** An Entity is a corporation or a trust, partnership, or other unincorporated organization that:

- Is engaged in the Commercial Development of oil, gas, or minerals in Canada or elsewhere; or,
- Controls a corporation or a trust, partnership or other unincorporated organization that is engaged in the commercial development of oil, gas or minerals in Canada or elsewhere.

**Reporting Entities:** Are Entities engaged in the Commercial Development of oil, gas or minerals directly or through a controlled organization that are either:

- Listed on a Canadian Stock Exchange;

- Not listed on a Canadian Stock Exchange but have a place of business in Canada, do business in Canada or have assets in Canada and meet two of the following thresholds in one of their two most recent financial years:
  - Have at least CAD\$ 20,000,000 in assets;
  - Generated at least CAD\$ 40,000,000 in revenue;
  - Employ an average of at least 250 employees.

Based on the analysis of these conditions, and as mentioned before, CDPR would be considered a Reporting Entity and according to the Act, the ESTMA Report should include not only the Payments made directly by CDPR but also by its subsidiaries, that are considered Entities under the Act, since any Payment that is made by an Entity that is controlled by another Entity is deemed to have been made by the controlling Entity;

**Commercial Development of oil, gas or minerals:** Commercial Development of oil, gas or minerals means:

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, license, lease, or any other authorization to carry out any of the activities referred to in (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals

**Payment:** The action or process of paying someone or of being paid, whether monetary payments or payments in kind relating to the Commercial Development of oil, gas, or minerals and that falls within any of the following categories of Payment:

- a) Taxes (except for consumption taxes and personal income taxes);
- b) Royalties;
- c) Fees, including rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits or concessions;
- d) Production entitlements;
- e) Bonuses, including signature, discovery and production bonuses;
- f) Dividends other than dividends paid as ordinary shareholders;
- g) Infrastructure improvement payments; or
- h) Any other prescribed category of payment.

**Government Payee:**

- Any governmental body in Canada or in any other country;
- A body established by two or more governments;
- Any trust, board, commission, corporation, body or authority that exercises a function, power or duty of any governmental body in Canada or in any other country;
- Aboriginal and indigenous groups and organizations within Canada and in other jurisdictions that may be regarded as governments for purposes of qualifying as a Government Payee under the Act.

Government Payees include governments at any level, including national, regional, state/provincial, or local/municipal levels, and also Crown corporations and other state-owned enterprises that are exercising or performing a power, duty or function of government.

**Project:** The operational activities that are governed by a single contract, license, lease, concession, or similar legal agreement and form the basis for Payment liabilities with a government. Nonetheless, if multiple such agreements are substantially interconnected, this shall be considered a Project. “Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to Payment liabilities.

**Operator of a Joint Agreement:** Company that is charged with the conduct of operations on behalf of the participants jointly.

**Non-Operator of a Joint Agreement:** Other companies that are participants in a Joint Agreement and are not the Operators.

**Joint Agreement:** a formal decision about future actions which is made by two or more companies. A Joint Agreement could include a Joint Venture or a Joint Operating Agreement.

#### **4. ROLES AND RESPONSIBILITIES**

CDPR’s Board of Directors is responsible for setting the tone that establishes the Company’s commitment to comply with the reporting requirements of the ESMTA Act on a timely and transparent basis. The executive officers (CEO, CFO, Vice Presidents, and the General Managers) are the main parties responsible for ensuring that all activities performed within CDPR are done in accordance with current policies and procedures related to these matters.

In addition, the Controllership area is responsible for validating all the operating, accounting and tax information that is obtained during the preparation of the ESTMA Report.

Treasury, Accounting, Mineral Exploration, Mining, Legal, Social Management, Corporate Affairs, among other areas, shall assist with the drafting and review of the ESTMA Report in order to ensure that all information reported is true, accurate and complete in all material respects for the purposes of the Act.

##### **4.1 Policy Statement**

The Report must be prepared in accordance with the requirements of the Act and ESTMA Technical Reporting Specifications, which provides specifications with regards to the form and manner of reporting.

The CFO shall review new Technical Reporting specifications to assess impact on the ESTMA report. Legal area may provide support to assess these impacts, if necessary.

##### **4.2 Procedures**

The CFO, as part of the process to issue the ESTMA Report, shall perform or coordinate the following procedures:

- Assess the companies that are part of CDPR's Group and classify within Reporting Entities, Non-Reporting Entities and Not an Entity, with the support from the Legal and Controllership areas;
- Identify government entities and payments made to them, directly or indirectly, with the support from Legal and Controllership areas;
- Coordinate with the Controllership area for this area to collect and analyze data related to Payments from financial / accounting systems and the areas;
- Consolidate the report under the format required by ESTMA. The Controllership area is responsible to reconcile and consolidate all the data from financial/accounting information based on cash basis obtained during the actions performed in accordance with letter c) above;
- Obtain sign off by areas involved, as a way of ensuring the information included in the ESTMA Report is true, accurate and complete;
- Obtain an attestation (as required by ESTMA) that the information included in the report is true, accurate and complete. In the case of CDPR, this attestation should be done by the CEO;
- Report to NRCan; and
- Coordinate with the Controllership area for this area to collect the supporting documentation on each Payment reported and keep it archived for a period of seven years from the reporting date.

### **4.3 Basis of preparation**

#### **4.3.1 Reportable Payments**

CDPR shall report any Payments within a Payment category that are made to the same Government Payee, on an aggregated basis, and are related to the Commercial Development of oil, gas, or minerals, that meet or exceed CA\$100,000.

#### **4.3.2 Payment Categories**

The seven categories of Payments are detailed below. Annually, the CFO area will evaluate if any additional payment category should be included in the scope of ESTMA, with the support from Legal and Controllership areas.

##### **4.3.2.1 Taxes**

The tax category is intended to capture income, profit and production tax Payments of a Reporting Entity in relation to the Commercial Development of oil, gas or minerals. This category does not include consumption and personal income taxes. Withholding taxes (i.e. taxes remitted to a government organization by a Reporting Entity on behalf of a third party) do not have to be reported, as these would not constitute a tax liability of the Reporting Entity.

The term “tax” generally means any type of government charge that is enforceable by law, imposed under statutory authority, levied by a public body, and intended for a public purpose. Any government charge that meets these requirements is a tax.

A consumption tax is a tax on the consumption or use of goods or services. Typical examples include sales tax, goods and services tax, harmonized sales tax, motor fuel tax, value-added tax, import/custom tax, payroll related tax and use tax.

Consumption taxes, even if they relate to the Commercial Development of oil, gas, or minerals, are not Payments.

Carbon taxes, depending on their design, could be considered a consumption tax, but it will need to be assessed by the Reporting Entity based on the facts and circumstances.

Examples of taxes that would be reportable under the Act include:

- Company income and profit taxes;
- capital gains taxes;
- capital taxes;
- mining taxes;
- windfall profits taxes;
- vehicle taxes
- resource surcharges; and
- property taxes

#### **4.3.2.2 Royalties**

Royalties are payments for the rights to extract mineral resources, typically at a set percentage of revenue. Both cash royalties and royalties paid in-kind are reported in this category.

#### **4.3.2.3 Fees**

The category of fees includes rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits, concessions.

This category is not meant to include amounts paid in ordinary course of commercial transactions in exchange for services provided by governments or government-owned entities at market value. For example, payments made to a state-owned utility for electricity used by its extraction operations is not likely to be a Payment.

#### **4.3.2.4 Production entitlements**

A Government Payee’s share of oil, gas, or mineral production under a production sharing agreement or similar contractual or legislated arrangement should be categorized as a production entitlement under

the Act. Often production entitlements are paid on an in-kind basis. Reporting Entities should report the cash value of the production entitlements received by a Government Payee during the relevant financial period. Volumes of production entitlements paid do not have to be reported.

#### **4.3.2.5 Bonuses**

Signing, discovery, production and any other type of bonuses paid to a Government Payee in relation to the Commercial Development of oil, gas or minerals must be reported under the Act. A payment that is not termed a “bonus,” but which in substance is a bonus Payment, is reportable.

Share issuances by a Reporting Entity to a Government Payee that are required by law or as consideration for the issuance of a license, permit or concession are a typical example of an in-kind bonus.

Required-by-law Payments, such as Usufruct, land compensation or superficiary made to communities are reportable under this category.

#### **4.3.2.6. Dividends**

Dividends paid to a Government Payee as an ordinary shareholder do not need to be reported under the Act, provided that:

- Shares have been acquired by the Government Payee for consideration on the same terms as were available at the time of acquisition to other shareholders.
- Such dividend is paid to the Government Payee on the same terms as to other shareholders.

Dividends that are paid to a Government Payee on shares received in lieu of a bonus, production entitlements, royalties, or any other Payment category, on the basis of concessional terms, for example, are likely to be reportable.

#### **4.3.2.7 Infrastructure improvement Payments**

As with all other Payment categories, a Payment in this category must be a Payment made to a Government Payee, whether monetary or in kind. Reporting Entities that make infrastructure improvement Payments to a Government Payee, whether under contractual obligations or otherwise, should report such Payments.

For example, if CDPR commits with a Government Payee to build a road or a sewage system, other than in circumstances in which the road or sewage system is expected to be primarily dedicated to operational activities throughout its useful life, the Reporting Entity may be required to disclose the cost of building the road or sewage systems as a Payment to the Government Payee.

An example of this kind of infrastructure improvement payments is the Work for Taxes (Oxi) program that CDPR participates in Peru.

### **4.3.3 Reporting Entity**

The CFO area shall perform an analysis, with the support from Legal and Controllershship areas, of the subsidiaries that meet the requirements of the Act to ensure compliance with this Policy and the Act.

#### **4.3.4 Attribution of Payments**

The Act sets out clear rules regarding the attribution of Payments that address situations in which either a Reporting Entity does not make the Payment directly to a Government Payee or a Payment is not received directly by a Government Payee. Reporting Entities should carefully consider these rules when determining which Payments made to a Government Payee must be included in its report. See the examples below:

- A property management company is contracted by a Reporting Entity to manage a leased property. This service provider makes payments to the local municipality government that relate to the holding of the lease by the Reporting Entity. In this case, the Reporting Entity would be required to report the payments made by the service provider, as those were made “on behalf of” the Reporting Entity, relating to its holding of a lease for that property.
- A Reporting Entity contracts with engineering, procurement, and construction (“EPC”) companies for the construction of a plant. An EPC firm makes payments to governments for building permits, and other fees that relate to the construction of the facility. Since those payments do not relate to the extraction activities of the Reporting Entity, the Reporting Entity would not be required to report the payments.
- A Reporting Entity contracts the operation of a mine to a service provider. The service provider pays environmental taxes levied on that facility to the government. These payments relate to the extraction activity of the Reporting Entity, and so the Reporting Entity would be required to report those payments.

#### **4.3.5 Reporting payments made in situations of joint operating agreements/joint ventures**

In situations where two or more companies engage in a joint operating agreement with complex partnership stakes between Operators and Non-Operators, Reporting Entities must consider the broad application of “control” in the Act, the attribution rules and whether the purpose of the Act is being met. CFO Area shall consult the Legal area to obtain information of such joint operating agreement/joint ventures and assess whether they should be considered or not.

- If the Operator is a Reporting Entity in its own right, it should report all of the Payments it makes on behalf of Non-Operator members, depending on the facts and circumstances of the situation. Non-Operator members must still ensure that they Report any Payments they make directly to a Government Payee, as well as any payments made for them that are not reported by the Operator.
- If the Operator is not a Reporting Entity in its own right, the Non-Operator members that are Reporting Entities would be required to report all of the Payments made for them by the Operator, in addition to any payments they make directly to the Government Payee.

Non-Operators must make best efforts to determine whether the Operator is reporting reportable Payments made by the joint venture or under the joint operating agreement. Reporting Entities are encouraged to document their due diligence in determining their reporting obligations under the Act, including their analysis of the facts and circumstances of specific situations.

#### **4.3.6 Reporting Payments made in situations of joint control**

In situations of joint control (in which no company solely controls a business arrangement that includes two or more partners), the Reporting Entities involved should consider the key requirements of the Act, as they would with regard to any Payment:

- If a Reporting Entity makes a Payment to a Government Payee, it must report it. This could be a Payment made as an Operator of a joint arrangement or as a member of a joint arrangement.
- If a Payment is made by a company that is not subject to the Act but is controlled by a Reporting Entity, the Reporting Entity must report it. The company (not subject to the Act) may be making the Payment as an Operator or may be making the Payment as a member of a joint arrangement.

#### **4.3.7 Corporate Social Responsibility (“CSR”) payments**

The ESTMA Report includes only CSR Payments that are reportable Payments and that sets forth contractual or law obligations for the company, as stipulated in a mining license, permit, development agreement or any other similar authorization that allows the company to conduct Commercial Development, to make to a Government Payee, or to another party under the direction of a Government Payee. These Payments include usufruct, surface, land compensation, among others.

#### **4.3.8 Payments by Third-parties**

There are cases in which third parties may pay government entities on behalf of CDPR, in those cases, payment should be approved by the area that hired the third party and the third party must send all documentation related to the payment to CDPR, that will evaluate it, register, and preserve and include in the ESTMA Report. Areas that might perform these types of Payments, such as Environmental, Legal, Projects, Social Management, etc, shall report them to the Controllershship or designated area or service provider. The Controllershship area shall annually confirm with CDPR’s VPs and General Managers if any payments occurred.

#### **4.3.8 Substitution**

Assessment to determine substitutability of another jurisdiction’s reporting requirements will be undertaken once such legislative measures are in place. The substitution authority allows for the determination that the reporting requirements of the other jurisdiction are an acceptable substitute for the reporting requirements, as set out in section 9 of the Act.



This does not mean that another jurisdiction's requirements must be identical to those in the Act, but the other jurisdiction's requirements must have the ability to achieve the purpose of the Act: to deter corruption through the systematic public reporting of specific Payments to all levels of government.

Assessment of requirements for substitution determination focuses on whether the key reporting obligations align with the reporting obligations (e.g. annual reporting, Payment categories, Project- and Government Payee-level breakdown of Payments).

Recognizing that some other jurisdictions' requirements may not constitute an acceptable substitute, the Act provides authority to impose additional conditions on Reporting Entities that wish to employ the substitution determination. Conditions could be substantive, to address significant gaps in reporting in other jurisdiction's requirements, or administrative in nature, to ensure that a Reporting Entity notifies NRCan of its intent to make use of substitution determination.

General instructions on how a Reporting Entity may use substitution are included in the ESTMA Technical Reporting Specifications, which can be accessed through the government of Canada website.

#### **4.4 Reporting Process**

This Policy will be posted on CDPR's website at: [www.pascoresources.com](http://www.pascoresources.com). Once the ESTMA Report is ready, CDPR should report it following the online procedure at the NRCan website, which includes the identification of the Reporting Entity, the obtaining of the reporting tools and finally, publishing online and submitting the ESTMA Report to NRCan.

Some considerations when finalizing the ESTMA Report are as follows:

Payments must be disclosed on a cash accounting basis (i.e. reported based on when the payment is made, not when a commitment is made for a payment).

- Payments must be broken down to indicate which Government Payee received the payment.
- Payments must also be broken down to the Project level when they can be attributed to a specific Project. Where a payment is not attributable to a specific Project, it may be disclosed in the report without splitting or disaggregating the payment to allocate it to a specific Project. Government Payee-level disclosure for such payments is sufficient.

The ESTMA Report must also include the total of each Payment category to each Government Payee and Project where applicable.

Reporting Entities are encouraged, where practical, to list the name of the department, agency or other body of the Government Payee that received the payment, if more than one such body of a Government Payee received a Payment from the Reporting Entity

#### **4.5 Document retention requirement**

All information collected for each ESTMA Report, including any supporting document of Payments reportable or not, must be kept by the Company or service provider for a period of seven years and the report should be publicly available for a period of five years on CDPR's website.

In the context of the reportable payments, the area responsible for such reported payment is responsible for keeping it duly filed for the seven-year period above-mentioned.

## **5. REPORT OF VIOLATION AND CONSEQUENCES**

Potential or actual violations of this Policy shall be reported by anyone through their immediate supervisor, the Controllershship, Compliance and/or Legal areas.

All these reports will be reviewed and investigated by the Governance Committee which will evaluate and address proper disciplinary actions.

The CFO area will periodically report to the Governance Committee and Audit Committee on the effectiveness of this Policy, informing about any Material Deviation identified and measures taken to correct identified issues.

Compliance with this Policy's directives is fundamental to the reputation and continued success of CDPR. Failure to comply with the reporting obligations under the ESTMA Act may result in severe consequences for CDPR, that can be held liable to a substantial fine calculated per offence and, in case of continuing offences, per day. Depending on the situations and the results of the investigation, some cases may also be self-reported to the appropriate authorities.

## **6. ACKNOWLEDGMENT**

CDPR assumes that you have read this Policy carefully, have understood its content and intend to comply with it and are committed to apply its provisions to your daily work routine. Lack of awareness of this Policy does not exempt you from complying with the imposed obligations.

Consult with the CFO area if you have any doubt regarding this Policy.

## **7. REFERENCES**

- CDPR Code of Business Conduct and Ethics Policy
- CDPR Anti-Corruption Policy

**Approved on November 8, 2023**