Minsur S.A. and Subsidiaries

Interim consolidated financial statements as of June 30, 2019 and December 31, 2018

1. Corporate information

(a) Identification -

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

(b) Business activity -

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

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

In addition, through its subsidiary Cumbres Andinas S.A.C., the Company hold shares in Marcobre S.A.C., a mining company that is in the exploration and construction stage. The General Meeting of Shareholders of the company of April 23, 2018 approved the sale of 40 percent of its shares in Cumbres Andinas S.A.C. to Alxar International SPA, this transaction was completed on May 31, 2018.

Likewise, through its subsidiary Cumbres del Sur S.A.C., the Company holds investments in Minera Sillustani S.A.C., and Compañía Minera Barbastro S.A.C., mining companies that are in the stage of exploration and evaluation of mineral resources.

As of June 30, 2019, the Group is developing the following projects:

(b.1) Mina Justa project

Through its subsidiary Marcobre S.A.C. the group is developing the Mina Justa Copper Project witch estimated investment amounts to US$1,600 million and have an estimated average annual production of 181,000 tons of copper concentrate and 51,500 tons of copper cathodes, which is expected to be achieved from the year 2020 or at the beginning of the year 2021. During the first semester of 2019, the Group made an investment in its project for approximately US$320,460,000.

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

(b.2) Tin tailings project B2

Minsur S.A. has been developing the project B2 located in San Rafael Mine whose estimated investment amounts to US$200,000,000. The project consists in extracting tin from an old tailing through a production process to be carried out in the future plant of reuse of tailings. The start of production is estimated at the end of 2019. During the first semester of 2019, investments were made for approximately US$47,865,000 (US$19,946,000 during the first semester of 2018), which were mainly destined for the construction phase.

(c) Corporate reorganization -

Sale of minority interest in Cumbres Andinas S.A.C.

At the General Shareholders' Meeting of the Company dated April 23, 2018, the sale of 40 percent of the shares of Cumbres Andinas S.A.C. to Alxar International S.P.A. was approved for a sale price of approximately US$182,397,000, whose closing was completed on May 31, 2018. In the second quarter of 2018 as result of this operation and in accordance with the provisions of IFRS 10 "Consolidated financial statements", the Group have recognized the net profit offset of income tax and workers' profit sharing attributable to the transaction for US$39,389,000 in the caption "other reserves" of the consolidated statements of changes in equity. In December 2018, the Group has recognized in the consolidated statement of changes in equity a loss of US$7,400,000 in the caption "Other reserves" related to the obligations assumed in the share transfer agreement denominated "Purchase Agreement" between Minsur and Alxar International SpA as shareholders owners of 100 percent of the shares of Cumbres Andinas S.A.C.

(d) Consolidated financial statements -

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

	Participation in the issued capital			
	June 30, 219		**December 31, 2018**	
	Direct %	**Indirect** %	**Direct** %	**Indirect** %
Subsidiaries in Chile				
Minera Andes del Sur SPA	-	100.00	-	100.00
Subsidiaries in Brazil				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in Peru				
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.C.	60.00	-	60.00	-
Cumbres de Sur S.A.C.	99.98	-	99.98	-
Compañía Minera Barbastro S.A.C.	-	99.99	-	99.99
Minera Sillustani S.A.C.	-	99.99	-	99.99
Marcobre S.A.C.	-	100.00	-	100.00

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

- Minera Andes del Sur S.P.A. –
  The corporate purpose of this subsidiary is the exploration and exploitation of mining properties that are acquired or obtained and that facilitate or allow the exploitation of the mineral substances contained them.

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

- Mamoré Mineração e Metalurgia Ltda. –
  This subsidiary is engaged in the operation of the smelting plant of Pirapora, in Sao Paulo, Brazil.

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

- Cumbres Andinas S.A.C. –
  Currently, the activities of this subsidiary are limited to the holding of shares in Marcobre S.A.C., a mining company that is in the construction stage of the project.

- Cumbres del Sur S.A.C. –
  The purpose of this subsidiary is the exploration and exploitation of mining rights and, in general, any other activities directly or indirectly included in the mining activity. Currently, the activities of this subsidiary are limited to investment in mining companies in the exploration stage (Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C.).

- Compañía Minera Barbastro S.A.C. –
  This subsidiary is engaged in the exploration and exploitation of mining rights. Currently, it is engaged in the development of Marta mining unit, located in Tinyacclla, district of Huando, in the Huancavelica region.

- Minera Sillustani S.A.C. –
  This subsidiary is engaged in the exploration of mining concessions and quarries, and in the development of mining projects of tungsten Palca 11 and Hacienda de Beneficio Rocio 2, located in San Antonio de Putina, Puno region. Currently it is mainly engaged in the rehabilitation and remediation of mining projects in Puno Regina mining unit.

- Marcobre S.A.C. –
  This subsidiary is engaged in the development of mining activities in Peru, it can enter into agreements related to such activity, by its own or through third parties. Currently, its activities are mainly focused in the development of its copper project ‘Mina Justa’, which is in construction stage, and its located approximately at 400 kilometers to the southeast of Lima, Ica Region.

  Approval of consolidated financial statements
  The consolidated financial statements as of June 30, 2019 were approved for issuance by the Company Management on August 15, 2019.

2. Basis of preparation and accounting policies

2.1. Basis of preparation -

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

The interim condensed consolidated financial statements have been prepared on a historical cost basis, with the exception of trade accounts receivable, financial assets at fair value through profit or loss, financial assets at fair value with changes in other comprehensive income and derivatives financial instruments which are presented at their fair value.

The condensed interim condensed consolidated financial statements comprise presented in US Dollars (US$), and all figures have been rounded to thousands, except when otherwise indicated.

The interim condensed consolidated financial statements don't include all the information and disclosures required in the annual financial statements and must be read together with the Group's annual consolidated financial statements as of December 31, 2018.

2.2. Basis of consolidation -

The interim condensed consolidated financial statements have the financial statements of the Company and its subsidiaries at the date of the consolidated statement of financial position.

There is control when the Group is exposed, or has rights, to variable returns due to its participation in the entity and has the capacity to affect those returns through its power over this investment.

2.3. Changes in accounting policies and disclosures -

On February 1, 2019, the Group's Management, following the criteria of IFRS 9 "Financial Instruments", decided to designate its foreign currency debt as a financial instrument to hedge the projected future cash flows of Taboca's exports, however, after a new evaluation it was decided to stop this treatment.

Consequently, the Group has reversed in its financial statements as of June 30, 2019 the effects recorded in the first quarter by reclassifying the deferred amount of the difference in exchange of the debt of other comprehensive income to the results of the second quarter of 2019.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with the policies considered in the preparation of the Group's annual consolidated financial statements as of December 31, 2018. Including the adoption of the new IFRS 16 that enters into force this year and which was adopted in 2018 by the Group.

Adoption of new accounting standards -

The Group has not adopted in advance any other standard, interpretation or modification that has been issued that has not yet entered into force.

- Amendments to IFRS 9: "Advance payment characteristics with negative compensation"

  Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "only payments of the principal and interest on the amount pending payment" (the test of the SPPI) and the instrument remains within the appropriate business model for this classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI test independently of the event or circumstance that causes the early termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract. These modifications have no impact on the consolidated financial statements of the Group.

- IFRIC 23, "Uncertainty about the Treatment of Income Taxes"
  This standard establishes how to determine the accounting tax position when there is uncertainty about the treatment of income taxes that affects the application of IAS 12 and it is not applicable to taxes and levy's outside of the IAS 12 scope neither include the specific requirements related to interest and penalties. This interpretation indicates the following:

  - If an entity has to consider the taxes uncertainty separately.
  - The hypothesis an entity makes about whether the tax treatment will be reviewed by the tax authorities.
  - How an entity determines the fiscal result, the tax bases, uncompensated losses, the tax deductions and the tax rates.
  - How the entity considers the changes in facts and circumstances.

  An entity must determine whether it considers each fiscal uncertainty separately or together with one or more fiscal uncertainties. The approach that best estimates the resolution of uncertainty must be followed.

  The Group continues to evaluate the effects of this interpretation on the consolidated financial statements as of June 30, 2019.

- Amendments to IFRS 10 and IAS 28 - "Sales or contributions of assets between an investor and its associate or joint venture"
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

  The amendments clarify that the gain or loss arising from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, must be recognized in its entirety. However, any gain or loss resulting from the alienation or contribution of assets that do not constitute a business will be recognized only to the extent of the interests of investors not related to the associate or the joint venture. The IASB has postponed the date of application of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group continues to evaluate the effects of these changes in the consolidated financial statements as of June 30, 2019.

- Amendments to IAS 28: "Long-term interests in associates and joint ventures"
  The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method does not apply, but which, in essence, forms part of the net investment in the associate or business set (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interest.

The amendments also clarified that, when applying IFRS 9, an entity does not take into account any loss of the associate or joint venture, nor any impairment loss on the net investment, recognized as adjustments to the net investment in the associate or joint venture arising from the application of IAS 28 Investments in associates and joint ventures. The Group follow with the evolution of the effects of these changes in the consolidated financial statements as of June 30, 2019.

- Annual improvements to IFRS - Cycle 2015-2017 (issued in December 2017)

  IFRS 3 "Business combinations"- Previously held interest in a joint operation

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including the re-measurement of interests previously held in the assets and liabilities of the joint operation its early adoption is permitted at fair value. In doing so, the acquirer measures the integrity of its previous participation in the joint operation.

  IFRS 11 Joint Arrangements – previously held interest in a joint operation

  When a party that participates in (but does not have joint control over) a joint operation, obtains joint control over that joint operation that is a business (as defined in IFRS 3), it must not remeasure the interest it previously held in that joint operation.

  The modifications clarify that the interests previously held in that joint operation are not measured again.

  IAS 12 Income tax – income tax consequences of payments on financial instruments classified as equity

  The amendments clarify that the consequences of the dividends in the income tax are directly linked to past transactions or events that generated distributable profits that to distributions to the owners. Therefore, an entity recognizes the consequences of income tax on dividends in results, other comprehensive income or equity according to the caption where the entity originally recognized those transactions or past events.

  When an entity applies these amendments for the first time, it applies them to the consequences of the income tax on the dividends recognized on or after the beginning of the first comparative period.

  IAS 23 Borrowing Costs – borrowing costs eligible for capitalisation

  The amendments clarify that an entity consider as a part of the generic loans any loan originally made to develop a qualified asset when it has substantially completed all the activities necessary to prepare that asset for its intended use or sale.

  An entity applies those modifications to financing costs incurred on or after the beginning of the annual reporting period in which the entity applies those modifications for the first time. Given that the Group's current practice is in line with these modifications, the Company does not expect any effect on its consolidated financial statements.

Amendments to IAS 19 - plan amendment, curtailment or settlement

The amendments to IAS 19 address accounting when there is a modification, reduction or liquidation of the plan during an period. The amendments specify that when a modification, reduction or liquidation of the plan occurs during the annual reporting period, it is required that an entity:

- Establish the current service cost for the remainder of the period following the modification, reduction or liquidation of the plan, using the actuarial assumptions used to remeasure the liability (asset) for net defined benefits that reflect the benefits offered under the plan and the plan assets after that event.

- Establish the net interest for the rest of the period following the modification, reduction or liquidation of the plan using: the net defined benefit (asset) liability that reflects the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that liability (asset) for net defined benefits.

The modifications also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in results. An entity determines the effect of the asset ceiling after the modification, reduction or liquidation of the plan. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

The effects on the Group's condensed interim consolidated financial statements resulting from the adoption of new standards are disclosed in accordance with IFRS in the report audited as of December 31, 2018.

3. Cash and cash equivalents, and other financial assets

(a) This item comprises the following:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Cash on hand and petty cash	21	14
Cash demand deposits (b)	44,836	79,535
Overnight deposits (c)	27,455	115,863
Time deposits (d)	113,493	55,738
Certificates of bank deposits (e)	410	767
Balance considered in the consolidated statements of cash flow	186,215	251,917
Time deposits with original maturities greather than 90 days (f)	287,924	309,678
Total	**474,139**	**561,595**

(b) As of June 30, 2019, and December 31, 2018, the Group maintains its cash demand deposits in local and foreign banks of first level that are freely available and generates interest at market interest rate.

(c) Overnight deposits are one day deposits in a foreign bank, which earn effective market rates.

(d) Time deposits have original maturities of less than 90 days and can be renewed at maturity. As of June 30, 2019, and December 31, 2018, these deposits earned interest at market interest rates.

(e) As of June 30, 2019, corresponded to Bank Deposits Certificates – CDB's kept by Mineração Taboca S.A.

(f) Time deposits with original maturities greater than 90 days are presented in the caption "Other financial assets" of the consolidated statement of financial position.

4. Trade and other receivables, net

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

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Trade:		
Invoices receivable (b)	73,109	70,957
Change in fair value	(1,124)	(110)
	71,985	70,847
Other receivables:		
Value added tax credit and other tax credits (c)	144,963	109,561
Invoices receivable for the sale of other inputs and fixed assets	5,985	3,741
Credits in favor for works for taxes	3,440	4,975
Advances to suppliers	2,290	2,667
Loans to employees	2,175	851
Related parties, note 21	722	1,633
Restricted funds	85	83
Judicial deposits (d)	950	6,613
Premium for purchase of shares	-	3,964
Others	9,184	2,549
	169,794	136,637
Total	241,779	207,484
By maturity:		
Current	125,896	110,654
Non-Current	115,883	96,830
Total	241,779	207,484
By nature:		
Financial Asset	93,376	92,948
Non-Financial Asset	148,403	114,536
Total	241,779	207,484

(b) As of June 30, 2019 and December 31, 2018, trade accounts receivable do not generate interest and do not have specific guarantees. In the estimation process for expected credit losses, Management evaluates credit risk and individual credit limits. The evaluation is performed on the date of each report using an estimation matrix to measure the expected credit losses.

(c) As of June 30, 2019 and December 31, 2018, this caption mainly corresponds to the credit for the value added tax (hereinafter "VAT") that results from purchases of goods and services resulting from the activities of exploration and development carried out by the subsidiaries in Peru and Brazil (Compañía Minera Barbastro S.A.C., Marcobre S.A.C. and Mineração Taboca S.A-) that will be offset with the VAT payable that will be generated when the subsidiaries begin their operations.

During the first semester of 2019 the subsidiary Marcobre obtained a refund of the value added tax of US$28,243,000 (US $ 4,075,000 as of December 31, 2018), through the Early Recovery System of the VAT, therefore Marcobre expects to continue recovering that credit through this Regime. If there is a remaining credit balance of VAT, its refund or offset will be requested under the regime of Exporter’s value added tax (“SFMB” for its acronym in Spanish) based on export sales.

In the opinion of Management, this loan will be recovered in the short term (through the Early Recovery System of the IGV) and in the long term, when the other subsidiaries begin their production operations.

Additionally, as of December 31, 2018, the subsidiary Sillustani, product of the evaluation of the recoverability of the tax credit for general sales tax, proceeded to write off the amount of US$4,704,000 (equivalent to S/15,865,000) with a charge in the consolidated statement of income.

(c) As of June 30, 2019 and December 31, 2018, it corresponds to the judicial deposits held by the subsidiary Mineração Taboca S.A. regarding processes that were liquidated through the financing of debts to the tax administration of Brazil (REFIS) and where the development of the review initiated in 2014 by the Federal Revenue Secretariat of Brazil and the Attorney General's Office is expected. National Treasury of Brazil, to request the release and consequent lifting of the amounts deposited.

5. Inventories, net

(a) The item is composed of the following:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Finished products	18,299	32,600
Work in progress (b)	49,153	40,566
Materials and supplies	49,821	43,128
Mineral extracted	3,200	1,786
Inventory in transit	2,693	3,733
	123,166	121,813
Impairment loss of inventories (c)	(1,404)	(1,620)
Allowance for obsolescence (d)	(3,700)	(4,017)
	118,062	116,176

(b) As of June 30, 2019 and December 31, 2018, the products in process are formed as follows:

	As of 06.30.2019 US$(000)	As of 12.31.2018 US$(000)
Products in tin process - Taboca		
Sintering	7,575	8,026
Tin concentrate flotation	1,063	954
Gravimetric tin concentrate	-	255
Other minors	3,182	2,437
	11,820	11,672
Products in tin process - Minsur		
Gravimetric tin concentrate	12,293	3,331
Bag house powder	1,493	1,778
Dross	1,206	1,954
Metal in process	1,511	1,127
Metal MH iron	259	283
Tin concentrate flotation	116	144
Others	1,411	1,252
	18,289	9,869
Products in process of gold		
Leaching PAD - cell assembly	4,957	6,332
Barra dore	4,396	3,971
Adsorption tanks	1,414	1,995
Refining in process	1,698	1,880
Ore broken in charge	3,661	1,644
Others	518	262
	16,644	16,084
Products in process of Fe, Nb and Ta		
Metallurgy	1,186	2,783
Flotation of Niobates	1,214	158
	2,400	2,941
	49,153	40,566

The products in process (tin, gold, iron, niobium and tantalum) have the following characteristics:

i. *Tin -*

Operations in Peru:

The crude tin produced in the foundry contains impurities such as iron, copper, arsenic, antimony, lead, bismuth and indium. These impurities are removed sequentially, through a pyro-metallurgical process, in cast iron pots of 50 tons capacity, taking advantage of their different physicochemical properties to obtain refined tin with 99.94 percent purity and a maximum of 0.02 percent lead, which is then molded into ingots and other presentations.

Operations in Brazil:

Made up of cassiterite and columbite which will later be concentrated using jigs, spirals, tables, electrostatic separators, as well as gravimetric tin concentrate and flotation, which contain tin extracted from the mine interior. These materials are available to follow the following tin recovery processes, which basically consist of the smelting and refining process.

ii. *Gold -*

It corresponds to the mineral found in the leaching deposits, which contain the ore that has been extracted from the pit and that are available to follow the following gold recovery processes. In the deposits of leached mineral the recovery is carried out through its exposure to the sodium cyanide solution that dissolves the gold and whose solution is sent to the extraction process plant.

iii. *Fierro, Niobio and Tantalum -*

The alloy of Niobium Iron and Tantalum (FeNbTa) is a metallic alloy of Niobium and Tantalum combined in a matrix of Ferro-Oxygen-Silicon, resulting from the melting of the minerals of columbite and pyrochlore, extracted from the Pitinga Mine.

(c) The estimation for impairment loss of finished products and products in process had the following movement during the years 2019 and 2018:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Openning balance	1,620	243
Metallic devaluation	-	1,044
Exercise estimate	-	393
Recovery of the exercise	(222)	-
Difference by translation	6	(60)
Final balance	1,404	1,620

(d) The estimate for obsolescence of materials and supplies had the following movement during the years 2019 and 2018:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Openning balance	4,017	5,121
Exercise estimate	(332)	173
Recovered	-	(1,055)
Difference by translation	15	(222)
Final balance	3,700	4,017

In the opinion of management of the Group, the allowance for obsolescence of inventories adequately covers such risk at the date of the consolidated statement of financial position.

6. Financial assets at fair value with changes in other comprehensive income

(a) Below is the composition of the caption:

	As of 06.30.2019					
	Cost	**Unrealized results**	**Overdue interest**	**Dividends**	**Liquidation of the investment**	**Fair Value**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Commercial papers	214,194	185	2,151	-	(136,000)	80,530
Certificates of deposit	40,000	-	847	-	(40,847)	-
Rímac Seguros y Reaseguros	21,070	3,784	-	-	-	24,854
BBVA España	14,845	(10,035)	-	503	-	5,313
Total	290,109	(6,066)	2,998	503	(176,847)	110,697

	As of 12.31.2018					
	Cost	**Unrealized results**	**Overdue interest**	**Dividends**	**Liquidation of the investment**	**Fair Value**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Commercial papers	58,778	(48)	838	-	-	59,568
Certificates of deposit	40,000	-	594	-	-	40,594
Rímac Seguros y Reaseguros	21,070	(554)	-	-	-	20,516
BBVA España	14,845	(10,448)	-	503	-	4,900
Certificates of public investment	2,935	-	-	-	(2,935)	-
Total	137,628	(11,050)	1,432	503	(2,935)	125,578

(b) As of June 30, 2019, and December 31, 2018, the Group maintains an investment in BBVA shares in Spain for US$5,313,000 and US$4,900,000, respectively. BBVA is an entity of recognized prestige in the international market and therefore has a very low level of risk.

Also, as of June 30, 2019 and December 31, 2018, the Group maintains an investment in Rímac Seguros and Reaseguros for US$24,854,000 and US$20,516,000, respectively. Rímac Seguros y Reaseguros is an entity of recognized prestige in the national market, which is part of the Breca Group, and has a very low level of risk.

As of June 30, 2019, the Group has received cash dividends of US$707,000 and US$134,000 for investments in BBVA Spain and Rímac, respectively, recognized in the consolidated income statement of the Group as financial income. As of December 31, 2018, the Company received cash dividends of US$280,000 and US$135,000 corresponding to BBVA Spain and Rímac, respectively, which were paid to the results of said period.

As of June 30, 2019, and December 31, 2018, the Group has not received dividends in shares.

As of June 30, 2019, and December 31, 2018, the fair value of this investment classified as a financial asset at fair value with changes in other comprehensive income has been determined based on its price on the Madrid Stock Exchange and Lima Stock Change, respectively.

(c) The fair value of certificates of deposit without public quotation and commercial paper were estimated based on discounted cash flows using available market rates for debt instruments with similar conditions, maturity and credit risk.

(d) The movement of the financial assets measured at fair value with change in other comprehensive income are shown below:

	As of 06.30.2019 US$(000)	As of 12.31.2018 US$(000)
Openning balance	125,578	40,052
New Investments	155,416	98,778
Change of the fair value	4,984	(11,750)
Liquidation of deposit certificate	(136,000)	(2,935)
Commercial paper settlement	(40,847)	-
Transfer	-	-
Dividends	-	-
Interest earned by certificates of deposits	1,566	1,433
Ending balance	110,697	125,578
By maturity:		
Current portion	105,384	120,678
Non-current portion	5,313	4,900
Total	110,697	125,578

7. Investment in affiliates -

(a) This item comprises the following:

	Interest in equity		Equity value	
	As of 06.30.2019 %	**As of 12.31.2018** %	**As of 06.30.2019** US$(000)	**As of 12.31.2018** US$(000)
Inversiones Cordillera del Sur Ltda. y subsidiarias	73.94	73.94	269,788	275,713
Explosivos S.A.	10.95	10.95	11,056	11,427
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,250	5,306
			286,094	292,446

The Group has recognized its investments in Explosivos S.A. and Futura Consorcio Inmobiliario S.A., as investments in associates considering that they are operated by the same economic group.

(b) Affiliates' participation in the net profit (loss) is the following:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Inversiones Cordillera del Sur Ltda. y subsidiarias	1,154	9,439
Explosivos S.A.	(370)	(40)
Futura Consorcio Inmobiliario S.A.	(4)	29
Final balance	780	9,428

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

(a) The composition and movement of the item is shown below:

	Opening balance 1.1.2019	Additions	Disposals (c)	Transfers and adjustments	Traslate adjustment	Ending balance 06.30.2019
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost -						
Land	23,043	-	-	-	10	23,053
Buildings and installations	546,964	-	-	9,635	1,252	557,851
Machinery and equipment	417,877	614	(106)	52,425	1,344	472,154
Furniture, fixtures and computer equipment	12,924	-	-	190	44	13,158
Vehicles	10,701	-	(173)	258	72	10,858
Work in progress	387,209	384,893	-	(57,821)	285	714,566
Mine closure costs	87,309	5,363	(8)	-	250	92,914
	1,486,027	390,870	(287)	4,687	3,257	1,884,554
Accumulated Depreciation -						
Buildings and installations	281,050	20,349	-	-	285	301,684
Machinery and equipment	287,893	14,270	(94)	-	824	302,893
Furniture, fixtures and computer equipment	9,923	496	-	-	32	10,451
Vehicles	7,394	417	(154)	-	50	7,707
Mine closure costs	42,343	2,872	-	-	24	45,239
	628,603	38,404	(248)	-	1,215	667,974
Estimation of impairment of property, plant and equipment (d)	(56,924)			176	(575)	(57,323)
Net cost	800,500					1,159,257

	Opening balance 1.1.2018	Additions	Disposals	Transfers and adjustments	Traslate adjustment	Ending balance 12.31.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost -						
Land	23,236	1	-	-	(194)	23,043
Buildings and installations	494,174	1,489	(10,274)	80,663	(19,088)	546,964
Machinery and equipment	394,278	1,554	(8,419)	50,913	(20,449)	417,877
Furniture, fixtures and computer equipment	13,083	189	6,638	(6,299)	(687)	12,924
Vehicles	12,415	187	(545)	(105)	(1,251)	10,701
Work in progress	153,815	388,671	(30)	(146,303)	(8,944)	387,209
Mine closure costs	97,692	14,557	(20,703)	-	(4,237)	87,309
	1,188,693	406,648	(33,333)	(21,131)	(54,850)	1,486,027
Accumulated Depreciation -						
Buildings and installations	248,907	40,628	(2,241)	(2,239)	(4,005)	281,050
Machinery and equipment	286,370	26,098	(6,890)	(4,413)	(13,272)	287,893
Furniture, fixtures and computer equipment	9,506	1,108	(141)	(55)	(495)	9,923
Vehicles	8,815	897	(441)	(1,044)	(833)	7,394
Mine closure costs	44,673	8,277	(10,214)	-	(393)	42,343
	598,271	77,008	(19,927)	(7,751)	(18,998)	628,603
Estimation of impairment of property, plant and equipment (d)	(81,360)	-	-	13,380	11,056	(56,924)
Net cost	509,062			-		800,500

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

	As of 06.30.2019	As of 06.30.2018
	US$(000)	US$(000)
Cost of sales, note 19	34,455	30,911
Development cost	3,398	940
Administration expenses	404	585
Exploration expenses and studies	53	96
Selling expenses	5	5
Other net	89	490
	38,404	33,027

(c) As of June 30, 2019, and December 31, 2018, the disposals are caused by the sale and removal of different components of the machinery and equipment item, as well as for lack of assets, and the mine closure update of the Pisco refining plant is also included.

(d) Impairment evaluation of mining units -

In accordance with the policies and procedures of the Group, each asset or cash generating unit (CGU) is evaluated annually at the end of the period, to determine whether there are indications of impairment. If there are such indications of impairment, a formal estimate of the recoverable amount is made.

9. Intangible Assets, net

(a) The composition and movement of the item is shown below:

	Opening balance 1.1.2019	Additions	Disposals	Transfers and adjustments	Traslate adjustment	Ending balance 06.30.2019
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost:						
Mining concessions & mining rights (d)	397,468	-	-	525	820	398,813
Mine development costs (c)	120,229	30,943	-	-	-	151,172
Connection and easement rights	6,117	111	-	-	-	6,228
Usufruct of lands	3,686	178	8	-	20	3,892
Remediation asset	1,133	-	-	-	-	1,133
Licenses	1,911	416	-	-	42	2,369
	530,544	31,648	8	525	882	563,607
Accumulated amortization:						
Mining concessions	18,355	968	-	-	161	19,484
Mine development costs	25,737	1,310	-	-	-	27,047
Connection and easement rights	2,406	166	-	-	-	2,572
Usufruct of lands	1,706	171	-	-	8	1,885
Remediation asset	1,250	7	-	(117)	-	1,140
Licenses	648	110	-	117	4	879
	50,102	2,732	-	-	173	53,007
Net cost	480,442					510,600

	Opening balance 1.1.2018	Additions	Disponsals	Transfers and adjustments	Traslate adjustment	Ending balance 12.31.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost:						
Mining concessions & mining rights (d)	412,581	201	(2,557)	-	(12,757)	397,468
Mine development costs (c)	90,699	29,530	-	-	-	120,229
Connection and easement rights	6,031	-	-	86	-	6,117
Usufruct of lands	4,866	602	(1,645)	(86)	(51)	3,686
Remediation asset	1,133	-	-	-	-	1,133
Licenses	1,048	955	-	-	(92)	1,911
	516,358	31,288	(4,202)	-	(12,900)	530,544
Accumulated amortization:						
Mining concessions	18,216	2,618	-	-	(2,479)	18,355
Mine development costs	20,181	5,556	-	-	-	25,737
Connection and easement rights	1,990	374	-	42	-	2,406
Usufruct of lands	1,960	374	(568)	(42)	(18)	1,706
Remediation asset	1,133	117	-	-	-	1,250
Licenses	532	181	-	-	(65)	648
	44,012	9,220	(568)	-	(2,562)	50,102
Net cost	472,346					480,442

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

	As of 06.30.2019	As of 06.30.2018
	US$(000)	US$(000)
Cost of sales, note 18	2,592	549
Exploration expenses and studies	74	76
Development cost	51	52
Administration expenses	15	28
	2,732	705

(c) As of June 30, 2019, and December 31, 2018, the additions for the development cost comprise mainly project management service, mine development and project B2

(d) As of June 30, 2019, and December 31, 2018, the concessions and mining rights are mainly related to the Mineração Taboca S.A. and Mina Justa concession.

10. Rights of use assets, net

(a) The following is the composition and movement of this caption:

	Opening balance 1.1.2019	Additions	Disposals	Translate adjustment	Ending balance 06.30.2019
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost					
Land and buildings	7,161	984	-	2	8,147
Machinery and equipment	40,231	8,333	(1,599)	303	47,268
Vehicles	2,546	2,818	(22)	-	5,342
Furniture and fixtures	85	-	-	-	85
	50,023	12,135	(1,621)	305	60,842
Accumulated Depreciation					
Land and buildings	2,241	780	-	2	3,023
Machinery and equipment	14,985	7,109	(1,599)	134	20,629
Vehicles	1,137	641	(22)	-	1,756
Furniture and fixtures	13	15	-	-	28
	18,376	8,545	(1,621)	136	25,436
Rights of use asset, net	31,647				35,406

	Opening balance 1.1.2018	Additions	Disposals	Translate adjustment	Ending balance 12.31.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost					
Land and buildings	6,306	1,790	(902)	(33)	7,161
Machinery and equipment	44,185	23,339	(22,623)	(4,670)	40,231
Vehicles	7,431	1,894	(6,779)	-	2,546
Furniture and fixtures	30	85	(30)	-	85
	57,952	27,108	(30,334)	(4,703)	50,023
Accumulated Depreciation					
Land and buildings	1,764	1,402	(902)	(23)	2,241
Machinery and equipment	25,580	14,163	(22,623)	(2,135)	14,985
Vehicles	5,612	2,304	(6,779)	-	1,137
Furniture and fixtures	21	22	(30)	-	13
	32,977	17,891	(30,334)	(2,158)	18,376
Rights of use asset, net	24,975				31,647

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

	As of 06.30.2019	As of 06.30.2018
	US$(000)	US$(000)
Cost of sales, note 18	7,070	5,876
Development cost	1,205	481
Administration expenses	270	287
	8,545	6,644

(c) Certain lease contracts culminated during the year, which are presented as declines in the movement of assets for rights in use.

11. Trade and others payable

(a) This item comprises the following:

	As of 06.30.2019 US$(000)	As of 12.31.2018 US$(000)
Trade payables (b):		
Third parties	216,805	196,110
Related parties, note 21	13,621	11,683
	230,426	207,793
Other payables:		
Interest payable	23,270	26,660
Accounts payable for acquisition of non-controlling (c)	21,564	18,500
Other taxes and contributions payable	12,798	14,217
Remuneration and Board's fees payable	15,920	11,605
Workers' profit sharing (d)	11,133	12,026
Accounts payable for subscription options	-	3,964
Others	6,266	1,558
	90,951	88,530
Total	321,377	296,323
By maturity:		
Current portion	286,837	259,819
Non-current portion	34,540	36,504
Total	321,377	296,323

(b) Trade accounts payable are originated mainly by the acquisition of materials, supplies, spare parts and services provided by third parties for the Group, and contains mainly invoices payable to suppliers. These do not accrue interest and are normally canceled within 30 to 60 days.

Other accounts payable do not generate interest and their average cancellation period is 3 months.

(c) Purchase of non-controlling interest -

On September 23, 2016, through its subsidiary Cumbres Andinas S.A., the Group acquired the non-controlling interest of Marcobre S.A.C. (Marcobre), which represented 30 percent of its capital stock and belonged to KLS Limited, thus obtaining control of 100 percent of the shares of subsidiary Marcobre, which generated an outstanding balance of US$25,000,000 payable that will be paid in five installments of annual maturity for an amount of US$5,000,000 each, beginning after which ever happens first between: (a) 10 working days after the start of commercial production of the Mina Justa project, or (b) on September 30, 2023. The fair value of the liability was updated at the end of June 2019 by US$19,434,000.

(d) Workers profit sharing payable

In accordance with Peruvian legislation, the Company determines the workers' profits share by applying the 8 percent rate on the same net tax base used to calculate income taxes. The distribution is determined by 50 percent on the number of days that each worker worked during the previous year and 50 percent on the proportional levels of annual remuneration.

12. Financial Obligations

(a) This item comprises the following:

Entity	Guarantee	Interest rate	As of 06.30.2019 US$(000)	As of 12.31.2018 US$(000)
Corporate bonds, net of issuance costs (b)	Sin garantías	6.25%	442,740	442,075
Citibank (c)	Corporativo Minsur	Libor 3 meses + Spread (*)	104,768	104,873
Syndicated loan (d)		Garantizado: Libor 3 meses +1.65%	313,382	69,665
Contract for lease (f)			36,491	32,502
Banco do Brasil (e)	Con garantías	4.67% - 5.44%	8,480	14,183
Banco Santander (e)	Sin garantías	5.16%	11,674	1,998
Banco Itaú (e)	Con garantías	6.60%	11,475	-
Banco Santos (e)	Sin garantías	Tasa CDI + 2%	3,871	3,832
Banco ABC Brasil (e)	Sin garantías	4.70%	-	2,996
Others financial obligations (i)	Sin garantías	-	-	8,880
			932,881	681,004
By maturity:				
Currrent portion			48,358	41,579
Non-current portion			884,523	639,425
			932,881	681,004

(b) The General Shareholders' Meeting of January 30, 2014, agreed that the Group will issue an international bond issue ("Senior Notes") through a private placement under Rule 144 A and Regulation S of the US Securities Act of 1933. Also, agreed to list these bonds on the Luxembourg Stock Exchange. On january 31, 2014, the Company issued bonds for a face value of US $ 450,000,000 maturing on february 7, 2024 at a coupon rate of 6.25 percent, obtaining net proceeds under the amount of US $ 441,823,500.

The bonds restrict the ability of Minsur and its Subsidiaries to enter into certain transactions, however, these covenants do not require Minsur to comply with financial ratios or maintain specific levels of net worth or liquidity.

(c) It corresponds to loans of type "prepaid of exportation - PPE" obtained by the subsidiary Minera Taboca during the year 2017, whose dates of expirations are between the month of October of the year 2020 and December 2023, the financings were made with the objective of decrease part of their short-term debts and improve the cash flow in the subsidiary.

(d) On august 15, 2018 the subsidiary Marcobre subscribed a syndicated loan with a group of borrowers composed of Export Development Canada; Export Finance and Insurance Corporation; KFW IPEX-Bank GMBH; The Export-Import Bank of Korea; Banco Bilbao Viscaya Argentaria, S.A .; Hong Kong, Banco de Credito del Peru; BBVA Banco Continental; Credit Agricole Corporate and Investment Bank; ING Bank (a Branch of ING-DIBA AG); ING Capital LLC; Natixis London Branch; Natixis New York Branch, Société Génerale; Niederlassung Deutschland and BBVA Germany for which it obtained a line of credit of US $ 900 million; this loan will be used to develop and build the Mina Justa project with a variable interest rate of Libor of 2.32% as of June 30, 2019 plus an average fixed rate of 1.57%. To obtain this loan, the subsidiary Marcobre counted as guarantors with Minsur S.A. and Inversiones Alxar S.A. As of June 30, 2019, the Group has received disbursements of US$ 324,000,000 (US $ 72,000,000 at the close of December 2018).

During the loan period, Marcobre must meet the following conditions agreed in the loan contract:

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

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

As of June 30, 2019, and December 31, 2018, the subsidiary Marcobre has complied with the financial restrictions of the subscribed contract.

The subsidiary Marcobre incurred costs for the structuring of the debt amounting to US $ 30,240,000 related to obtaining the credit line of US$900,000,000. During the first semester of 2019, it has received an outlay of US$252,000,000 (accumulated US$324,000,000 as of June 30, 2019) has been received, for which a structuring cost of the debt related to said portion has been recognized for the amount of US$10,618,000 as of June 30, 2019.

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

(f) As of June 30, 2019, and December 31, 2018, the obligations for lease agreements are as follows:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Lease liabilities (third parties)	27,335	22,081
Lease liabilitie (Related parties, note 21)	9,156	10,421
Total	36,491	32,502
		-
By maturity:		
Currrent portion	16,728	13,522
Non-current portion	19,763	18,980
	36,491	32,502

(g) The liabilities consist of leases of property, machinery and equipment and vehicles for the operation of the Group.

As of June 30, 2019, and December 31, 2018, other financial obligations correspond to financing transactions with suppliers ("confirming"), which was carried out with local banks in local and foreign currency.

(h) As of June 30, 2019, and December 31, 2018, Minsur S.A. maintains solidarity bonds and letter of credit for US$189,637,000 that guarantee the financing of its subsidiary Taboca with the following financial institutions:

- Banco Itaú for US$10,000,000; solidary bond and no expiration date.
- Banco do Brazil for US$20,000,000; solidary bond and without validity.
- Banco Santander Brazil for US$10,000,000; solidary bond and no expiration date.
- JP Morgan for US$10,000,000; solidary bond, with no due date generated by the subscription of the hedge contract with said financial institution.
- Citibank for US$105,000,000; assigned to debt and US$13,637,000 assigned to derivatives; solidarity bond, no expiration date.
- Banco Santos for US$21,000,000 has an expiration date of March 12, 2021.

13. Provisions

(a) This item comprises the following:

	Provision for mine closure	Provision for environmental Remediation	Provision for contingency	Provision for bonuses employees	Total
	(b)	(c)	(d)		
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
As of January 1, 2018	115,611	52,374	6,925	9,728	184,638
Additions	11,170	1,209	2,440	14,050	28,869
Translation	(7,904)	(5,690)	(635)	(540)	(14,769)
Accretion	1,186	110	-	-	1,296
Change in estimates	1,190	(117)	-	-	1,073
Payments and advances	(349)	(4,991)	(538)	(10,032)	(15,910)
Reversals	(11,945)	(495)	(1,897)	(122)	(14,459)
As of December 31, 2018	108,959	42,400	6,295	13,084	170,738
Additions	-	75	2,039	9,610	11,724
Translation	468	345	40	(9)	844
Accretion	727	74	-	-	801
Change in estimates	5,425	224	-	-	5,649
Payments and advances	(85)	(1,430)	(2,964)	(9,313)	(13,792)
Reversals	-	(838)	(487)	(450)	(1,775)
As of June 30, 2019	115,494	40,850	4,923	12,922	174,189
By maturity:					
Current portion	6,682	5,372	3,032	11,390	26,476
Non-current portion	102,277	37,028	3,263	1,694	144,262
As of December 31, 2018	108,959	42,400	6,295	13,084	170,738
By maturity:					
Current portion	6,650	3,957	3,685	12,226	26,518
Non-current portion	108,844	36,893	1,238	696	147,671
As of June 30, 2019	115,494	40,850	4,923	12,922	174,189

(b) The provision for mine closure is composed as follows:

	Pitinga and Pirapora Unit	San Rafael, Pucamarca and Pisco Unit	Others	Total
	US$(000)	US$(000)	US$(000)	US$(000)
As of January 1, 2018	52,936	62,482	193	115,611
Additions	-	8,248	2,922	11,170
Translation	(7,833)	-	(71)	(7,904)
Accretion	-	1,186	-	1,186
Change in estimates	1,188	-	2	1,190
Payments and advances	-	(9)	(340)	(349)
Reversals	-	(11,945)	-	(11,945)
As of December 31, 2018	46,291	59,962	2,706	108,959
Additions	-	-	-	-
Translation	468	-	-	468
Accretion	-	711	16	727
Change in estimates	-	5,363	62	5,425
Payments and advances	-	(34)	(51)	(85)
Reversals	-	-	-	-
As of June 30, 2019	46,759	66,002	2,733	115,494
By maturity:				
Current portion	4,925	741	1,016	6,682
Non-current portion	41,366	59,221	1,690	102,277
As of December 31, 2018	46,291	59,962	2,706	108,959
By maturity:				
Current portion	4,975	709	966	6,650
Non-current portion	41,784	65,293	1,767	108,844
As of June 30, 2019	46,759	66,002	2,733	115,494

The provision for the closure of mining units represents the present value of the closing costs expected to be incurred between 2019 and 2063, in compliance with government regulations. The estimated cost of closing mining units is based on studies prepared by independent advisors, which comply with current environmental regulations. The provision for the closure of mining units corresponds mainly to activities that must be carried out for the restoration of mining units and areas affected by mining activities. The main works to be carried out correspond to earth movements, revegetation work and dismantling of the plants. Closing budgets are reviewed regularly to take into account any significant changes in the studies carried out. However, the costs of closing mining units will depend on the market prices of the required closure works that will reflect the future economic conditions. Likewise, the time at which the disbursements will be made depends on the useful life of the mine, which will be a function of the future prices of the metals.

As of June 30, 2019, the main assumptions considered in calculating the present value of the mine closure costs expected to be incurred in the future are the following:

	Pitinga and Pirapora Unit	San Rafael, Pucamarca and Pisco Unit
Annual risk-free rate	5.03%	Between 0.21% and 2.45%
Covered years by the closure of the mine	44 years	13, 9 and 35 years

(c) The provision for environmental remediation and others is composed as follows:

	Pitinga and Pirapora Unit	Sillustani and Barbastro	Marcobre	Total
	US$(000) (i)	US$(000) (ii)	US$(000) (iii)	US$(000)
As of January 1, 2018	39,486	11,678	1,210	52,374
Additions	1,209	-	-	1,209
Translation	(5,777)	87	-	(5,690)
Accretion	-	112	(2)	110
Change in estimates	-	(117)	-	(117)
Payments and advances	(1,351)	(3,640)	-	(4,991)
Reversals	-	-	(495)	(495)
As of December 31, 2018	33,567	8,120	713	42,400
Additions	75	-	-	75
Translation	339	6	-	345
Accretion	-	47	27	74
Change in estimates	-	224	-	224
Payments and advances	(260)	(1,170)	-	(1,430)
Reversals	-	(838)	-	(838)
As of June 30, 2019	33,721	6,389	740	40,850
By maturity:				
Current portion	2,249	3,123	-	5,372
Non-current portion	31,318	4,997	713	37,028
As of December 31, 2018	33,567	8,120	713	42,400
By maturity:				
Current portion	2,086	1,871	-	3,957
Non-current portion	31,635	4,518	740	36,893
As of June 30, 2019	33,721	6,389	740	40,850

(i) Includes environmental restoration activities for the operations of the Pitinga mine in Brazil carried out in previous years. With the support of external specialists Taboca has updated the environmental remediation provision of the Pitinga and Pirapora units as of June 30, 2019.

(ii) It mainly includes environmental restoration activities in the Puno region related to the subsidiary Sillustani SAC and includes dyke construction activities, improvement of drainage systems, water treatment, bofedal rehabilitation, among other works that will be carried out over the years 2019 to 2020.

(iii) This obligation is related to the restoration activities of the area under exploration by the Mina Justa project, which is operated by the subsidiary Marcobre and includes activities such as earthmoving, revegetation work and the dismantling of all facilities. As of June 30, 2019, and December 31, 2018, the subsidiary Marcobre maintains an environmental restoration liability of US$740,000 and US$713,000 respectively.

(d) Provision for contingencies -

This provision comprises mainly:

Brazilian subsidiary –

It mainly corresponds to claims for compensation of ex-workers for US$1,238,000 (US$2,232,000 as of December 31, 2018), civil contingencies for US$22,000 (US$348,000 as of December 31, 2018).

Peruvian subsidiary –

It mainly corresponds to environmental contingencies that come from processes interposed by the Agency for Environmental Assessment and Control (OEFA by its acronym in Spanish), National Water Authority (ANA by its acronym in Spanish) and Supervisory Body for Investment in Energy and Mining (OSINERGMIN by its acronym in Spanish) for US$242,000 (US$335,000 at December 31, 2018) and labor contingencies for US$2,388,000 (US$2,150,000 as of December 31, 2018).

14. Income taxes

(a) The reconciliation of the income tax expense and the profit before taxes times the tax rate as of June 2019 and 2018, is presented below:

	As of 06.30.2019	As of 06.30.2018
	US$(000)	US$(000)
Profit (loss) before income tax	89,384	64,474
At statutory income tax rate	(26,449)	(17,289)
Effect of permanent differences, net	(301)	-
Share of results of associates	230	(6,274)
Share sale effect	-	(29,859)
Effect of mining royalties	2,395	2,180
Translation	9,102	7,708
Effect of permanent differences, net	(6,438)	(1,063)
Income tax (expense) income	(21,461)	(44,597)
Return of income taxes	(1,361)	-
Mining royalties and special mining tax	(6,842)	(6,933)
Total	(29,664)	(51,530)

(b) This expense arises from maintaining the US dollar as a functional currency for accounting purposes and soles for tax purposes. As of June 30, 2019, the variation of the exchange rate was S/3.379 to S/3.290 resulting in the aforementioned income, which does not imply a disbursement affecting the Group's cash Flow.

(c) The (expense) income for income tax shown in the consolidated statements of profit or loss consists on the following:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Income tax		
Current	37,315	38,842
Deferred	(14,494)	5,754
	22,821	44,596
Mining royalties and special tax on mining		
Current	8,119	7,390
Deferred	(1,276)	(456)
	6,843	6,934
	29,664	51,530

Deferred income tax on investments in associates -

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

15. Equity

(a) Capital Stock -

As of June 30, 2019, and December 31 2018, the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, is represented by 19,220,015 common shares with a nominal value of S/100.00 each one.

(b) Investment shares -

As of June 30, 2019, and December 31, 2018, this caption is made up of 960,999,163 investment shares, with a nominal value of S/1 each one.

According to the current legislation, the investment shares grant the holders the right to participate in the dividend distribution, make contributions to maintain its share in the case of capital increases as a result of additional contributions, increase the investment shares account due to the capitalization of equity accounts, redemption of shares and participation in the distribution of the equity in case of dissolution. The investment shares do not grant access to the Board of Directors or to the Shareholders' meetings. The investment shares of the Company are listed on the Lima Stock Exchange (BVL).

The quotation of these shares as of June 30, 2019 was S/1.70 per share (S/1.38 per share as of December 31, 2018).

(c) Legal reserve-

The Peruvian General Corporation Law requires that a minimum of 10 percent of the distributable earnings for each period, after deducting the income tax, needs to be transferred to a legal reserve until such is equal to 20 percent of the capital. This legal reserve can offset losses or can be capitalized, in both cases there is an obligation to replenish it.

As of June 30, 2019, and December 31, 2018, the Group has not increased its legal reserve because it reached the limit mentioned above.

(d) Reinvested earning -

As of June 30, 2019, and December 31, 2018, this balance is made up of reinvested profits approved in prior years by US$39,985,000.

(e) Declared and paid dividends –

Below is the information on declared and paid dividends during the year 2019:

	Date	Dividends declared and paid US$(000)	Dividends per common share US$(000)	Dividends per investment share US$(000)
As of June 30, 2019				
Shareholders' meeting	02/21/2019	66,000	2.29	0.023

(f) Other reserves -

This caption mainly included the profit of the sale of 40 percent of its shares in the subsidiary Cumbres Andinas S.A. by US$31,989,000 (Note 1c), the requirement reserve for statutory effects related to taxes credit in Brazil for the acquisition of the subsidiary Mineração Taboca S.A. in previous years for US$22,986,000 net of other reserves by US$9,850,000 for the transaction with ex – shareholders of Marcobre Subsidiary. On the other hand, in accordance with the General Corporation Law, the Group recognized in this item dividends pending to paid from previous years for an amount of US$551,000.

(g) Cumulative translation adjustment -

This caption corresponds to the exchange difference resulting from the translation of the financial statements of the foreign subsidiaries and associates, into the functional currency of the Group.

(h) Unrealized results -

Corresponds to unrealized losses on financial assets with changes in other comprehensive income for US$4,320,000 and the loss for coverage instruments for US$2,289,000.

(i) Non-controlling interest contributions -

During first semester of 2019, the Group received non-controlling interest contributions for a total amount of US$35,480,000 as part of the financing of the Mina Justa project.

16. Tax situation

(a) Peruvian tax -

The Company is subject to the Peruvian tax system.

By Legislative Decree N° 1261 published on December 10, 2016, the Peruvian government introduced certain amendments to the Income Tax Law, effective as from January 1, 2017. The most relevant are presented below:

- An income tax rate of 29.5 percent is set.

- A tax of 5 percent of the income tax is established to the dividends or any other form of distribution of profits. The rate applicable to dividends will be considered taking into account the year in which the results or profits that form part of the distribution have been obtained, in accordance with the following: 4.1 percent with respect to the results obtained until December 31, 2014; 6.8 percent with respect to the results obtained during the years 2015 and 2016; and 5 percent with respect to the results obtained from January 1, 2017.

In July 2018 Law N° 30823 was published in which Congress delegated to the Executive Power the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

(i) Modified, starting January 1, 2019, the treatment applicable to the royalties and fees for services provided by non-domiciled recipients, eliminating the obligation to pay an amount equivalent to the withholding when the costs or expenses are booked, and must now withhold the corresponding income tax at the time of their payment or retribution accreditation (Legislative Decree N° 1369).

(ii) Established rules governing the obligation of persons legal and/or entities legal to report the identification of their final beneficiaries (Legislative Decree N° 1372). These rules are applicable to legal persons domiciled in the country, pursuant to article 7 of the Income Tax Law, and to legal entities in the country. The obligation is applicable for non-domiciled legal entities and legal entities constituted abroad while: a) have a branch, agency or another permanent establishment in the country; b) the person (natural or legal entity) who manage the autonomous patrimony or foreign investment funds, or the natural or legal person who has quality of guard or administrator, is domiciled in the country; and, c) any part of a consortium is domiciled in the country. This obligation will be fulfilled by submitting to the tax authority of sworn statement information, which should contain the final beneficiary information and be submitted, in compliance with the regulations and in the deadlines established through a resolution of the Superintendence of Peruvian Tax Administration.

(iii) Changed the tax code in the implementation of the General Anti-Avoidance Rule – GAAR (Rule XVI of the preliminary title of the Tax Code (Legislative Decree N° 1422).

As part of this modification, a new assumption of joint and several liabilities are envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree N° 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until march 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved the aforementioned acts, situations and economic relations.

It has also been established that the application of Rule XVI, as regards the re-characterization of tax evasion cases, will take place in the final inspection procedures in which acts, facts or situations produced since 19 July 2012.

On May 6, 2019, Supreme Decree 145-2019-EF was published, a rule that regulates the General Anti-Occlusive Clause establishing background parameters and form of Standard XVI of the Preliminary Title of the Tax Code

(iv) Amendments to the Income Tax Law were included, effective as of January 1, 2019, to improve the tax treatment applicable to (Legislative Decree N° 1424):

- Income obtained from the indirect transfer of shares or participations representing the capital of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new indirect alienation assumption, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or greater than 40,000 UIT.

- Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any period of twelve months.

- The system of credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid the double economic imposition.

- The deduction of interest expenses for the determination of corporate income tax. To this end, limits were established both for loans with related parties, as well as for loans with third parties contracted as of September 14, 2018 on the basis of equity and EBITDA.

(v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree N° 1425). Until 2018 there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation.

In general terms, with the new criterion, for purposes of the determination of Income Tax, it will now matter if the substantial facts for the generation of income or expense agreed by the parties have occurred, which are not subject to a condition precedent, in whose case the recognition will be given when it is fulfilled and the opportunity for collection or payment established will not be taken into account.

(b) Tax Situation

Minsur S.A.

The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2015 to 2018 and value added tax (VAT) for the years 2014 to 2018 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2011, and the value added tax and value added tax for the years 2000 to December 2008.

Due to the interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether or not of the tax audits that will perform will result in increased liabilities for the Company. Therefore, any greater tax or surcharge that could result from eventual tax reviews would be applied to the results of the fiscal year in which it is determined. However, in opinion of the Company's management and its legal counsels, any eventual additional tax settlement would not be significant for the consolidated financial statements as of June 30, 2019 and December 31, 2018.

Brazilian subsidiaries –

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of June 30, 2019, and December 31, 2018, the income tax rate is 34 percent of taxable income. Cash dividends in favor of non-domiciled shareholders are not taxed. The years open of review are from 2014 to 2018.

The tax loss carry forward determined by Mineração Taboca S.A. as of June 30, 2019 amounts to US$540,580,000 (US$531,541,000 as of December 31, 2018). The subsidiary has decided to recognize a deferred income tax asset related to the tax loss carry forward only for the recoverable portion, recording a deferred income tax asset of US$11,587,000 considering that there is no certainty of recovery additional portion of the accumulated tax losses.

According to the Brazilian laws the tax losses do not expired, but their utilization will be limited to 30 percent of the taxable profit of each future period.

Peruvian subsidiaries -

In the case of Marcobre, the tax authorities have the power to review and, if applicable, correct the income tax calculated by Marcobre in the four years after the year of filling the tax return. The affidavits of the income tax from 2016 to 2018 and the value added tax returns for the periods 2014 to 2018 are pending review by the tax authorities.

In the other subsidiaries, the income tax returns from 2014 to 2018 and the value added tax returns from 2014 to 2018 of the Peruvian subsidiaries are pending review by the tax authorities.

As of June 30, 2019, and December 31, 2018, the tax losses of the Peruvian subsidiaries are as follow:

	As of 06.30.2019 US$(000)	**As of 12.31.2018** US$(000)
Compañía Minera Barbastro S.A.C.	4,410	4,290
Minera Sillustani S.A.C.	5,537	5,391
Cumbres Andinas S.A.C.	913	898
Minera Latinoamericana S.A.C.	366	356

As of June 30, 2019, these subsidiaries, have not recognized deferred income tax asset originated by the tax loss carry forward by US$11,225,000 (US$10,935,000 as of December 31, 2018), because the management has no certainty about the future realization of such tax losses.

(c) Transfer Pricing–

For the purposes of determining current income tax, the prices and amounts of those consideration that have been agreed upon in transactions between related parties or that are carried out from, to or through countries or territories of low or zero taxation, must have documentation and information to support the valuation methods and criteria applied in their determination. The Tax Administration is entitled to request this information from the Group. Based on the analysis of the Group's operations, Management and its legal advisors are of the opinion that, as a consequence of the application of these rules, no material contingencies will arise as of June 30, 2019 and December 31, 2018.

(d) Legal Stability Agreement –

On December 9, 2016, the subsidiary Marcobre S.A.C. signed a Legal Stability Agreement with the Agency for the Promotion of Private Investment - PROINVERSION, respectively, through which it undertakes to issue shares in favor of its Principal (Cumbres Andinas S.A.C.) for US$135,300,000 within a period not exceeding two years and it will be destined to expand the productive capacity of the subsidiary Marcobre S.A.C. and obtains the stabilization of the income tax and labor regimes, in force at the date of subscription of the agreement. This agreement has a term of 10 years counted from the date of its subscription. As of June 30, 2019, the subsidiary Marcobre S.A.C. maintains the income tax rates of 26 percent.

17. Net sales

The composition of this caption is presented below:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Tin and other minerals	232,637	247,585
Gold	101,054	67,396
Niobium, tantalum and others	32,126	34,910
	365,817	349,891

Tin sales concentration –

As of June 30, 2019, there is no significant concentration of sales. The three most important clients accounted for 40 percent of total sales (40 percent as of June 30, 2018).

Concentration of gold sales –

As of June 30, 2019, and 2018 the Group sold gold to three customers, that represent the 100 percent of sales.

Concentration of sales of niobium and tantalum –

As of June 30, 2019, and December 31, 2018, the three main clients represent 50 percent of the total sales.

18. Cost of sales

The composition of this caption is made up as follows:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Opening balance of product in process inventory, note 5	42,352	42,145
Opening balance of finished product inventory, note 5	32,600	22,409
Services rendered by third parties	50,431	39,255
Wages and salaries	50,473	49,051
Consumption of raw material and miscellaneous supplies	44,392	46,597
Depreciation, note 9	34,455	30,911
Purchase of mining services from AESA S.A.	14,044	12,696
Electricity	5,918	6,989
Amortization, note 10	2,592	549
Amortization rights of use, note 11	7,070	5,876
Purchase of explosives from Exsa S.A.	2,660	3,408
Allowance for obsolescence of materials and supplies, note 5	(332)	-
Recovery of estimation due to devaluation of inventories	(222)	(366)
Other manufacturing expenses	6,739	6,555
Final balance of work in process inventory, note 5	(52,353)	(41,435)
Final balance of finished product inventory, note 5	(18,299)	(22,244)
	222,520	202,396

19. Finance income and costs

The composition of this caption is made up as follows:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Finance income:		
Interest on tax claims receivable	7,213	168
Interest on time deposits	5,912	3,318
Revenue on financial instruments	1,581	1,155
Others	42	207
Interest income	14,748	4,848
Accretion of provisions	267	30
Total	15,015	4,878
Finance costs:		
Interest on corporate bond	(11,138)	(14,403)
Results of derivatives of exchange rate and interest rate	(4,626)	(116)
Loan expenses and interest	(3,436)	(5,627)
Interest on tax obligations	(2,056)	-
Interest on financial leases	(676)	(666)
Amortization of issuance costs of corporate bond	(665)	(595)
Others	(314)	(10)
Interest expenses	(22,911)	(21,417)
Accretion	(2,049)	(1,485)
Total	(24,960)	(22,902)

20. Earnings per share (EPS)

The basic and diluted earnings per share are calculating dividing the net income for the year by the weighted average number of outstanding shares during the year.

The calculation of the earnings per share is presented below:

	As of 06.30.2019 US$(000)	As of 06.30.2018 US$(000)
Numerator -		
Net income attributable to the owners of the Parent	60,022	14,343
Denominator -		
Common stockshares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Profit (loss) per share		
Basic diluted - US$ per common share	2.082	0.498
Basic and diluted - US$ per investment share	0.021	0.005

The basic and diluted earnings per share are the same since there are no dilutive financial instruments over the profits.

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

21. Related parties transactions

(a) Receivables and Payables -

The balances of the receivable and payable with related parties as of June 30, 2019 and December 2018 follow:

	As of 06.30.2019 US$(000)	As of 12.31.2018 US$(000)
Classification by existing categories		
Collecting receivables (current), note 4 (a):		
Other related parties		
Compañía Minera Raura S.A.	460	460
Administración de Empresas S.A.	152	303
Exsa S.A.	60	16
Clinica Internacional S.A.	33	12
Rímac Seguros y Reaseguros	17	842
	722	1,633
For paying commercial and various (current):		
Associated		
Exsa S.A.	2,834	2,153
	2,834	2,153
Other related parties		
Administración de Empresas S.A.	5,499	4,175
Rímac Seguros y Reaseguros	4,560	4,630
Clínica Internacional. S.A.	587	384
Protección Personal S.A.	43	-
Compañía Minera Raura S.A.	40	32
Inversiones Nacionales de Turismo S.A.	26	28
Inversiones San Borja S.A.	11	65
Corporación Breca S.A.C.	7	18
Centría Servicios Administrativos S.A.	6	1
Rímac S.A. Entidad prestadora de salud	5	187
Corporación Peruana de Productos Químicos S.A.	3	9
Bodegas Viña de Oro	-	1
	10,787	9,530
	13,621	11,683
Financial obligations		
Other related parties		
Administración de Empresas S.A.	4,717	6,225
Inversiones San Borja S.A.	4,439	4,196
	9,156	10,421
	22,777	22,104
Classification by nature:		
Commercial, note 11	13,621	11,683
Financial Obligations, note 12	9,156	10,421
	22,777	22,104

There have been no guarantees provided or received for any related party receivables or payables. For the period ended June 30, 2019, the Group has not recorded any impairment of receivables related to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Balances payable to related companies are current maturities, interest free and have no specific guarantees.

22. Commitments

(a) Environmental Impact Study (EIA) -

According to Supreme Decree 016-93-EM, effective since 1993, all mining companies must file an EIA before the Ministry of Energy and Mines (MEM). EIAs are prepared by environmental consultants registered before MEM. EIAs consider all the environmental controls that all mining entities will implement during the life of the mining units. All mining units of the Group have an approved EIA for their activities.

(b) Law of Mine Closure in Peru -

On October 14, 2004, the Peruvian government enacted the Law No.28090 which purpose is to regulate the obligations and procedures that mining companies should comply for the elaboration, filling and implementation of the Mine Closure Plan, as well as to require the establishment of environmental guarantees to secure fulfillment of related mine closure plan. The corresponding ruling was approved on August 15, 2005 by means of Supreme Decree No.033-2005-EM.

Minsur S.A.

As of June 30, 2019, the provision for mine closure of the San Rafael, Pucamarca and Pisco units amounts to US$66,003,000 (US$59,962,000 as of December 31, *2018).* See movement of this provision in note 19(b).

Compañía Minera Barbastro S.A.C.

As of June 30, 2019, the provision for mine closure of the Marta unit amounts to US$2,733,000 equivalent to S/8,992,000, (US$2,706,000, equivalent to S/9,144,000 as of December 31, 2018).

Mineração Taboca S.A.

According to environmental regulations in Brazil, Taboca has recognized a provision for mine closure of the mining unit of Pitinga and Pirapora for US$46,759,000 as of June 30, 2019 (US$46,291,000 as of December 31, 2018).

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Environmental remediation

Marcobre S.A.

As of June 30, 2019, the Mina Justa project is in the exploration and construction (in feasibility stage as of December 31, 2017), so the subsidiary submitted to the General Directorate of Mining Environmental Affairs a closure plan for their exploration activities, which was approved through Directorial Resolution Nro.325-2013/MEM/AAM on September 3, 2013. In relation to this closure plan, as of June 30, 2019 and December 31, 2018, the Company has a liability for environmental restoration of US$740,000 and US$713,000, respectively.

The subsidiary presented a Mine Closure Plan for its Mina Justa project, which was approved by the General Directorate of Mining Environmental Affairs through Directorial Resolution No.018-2012-MEM/DGAAM on April 11, 2012. This closure plan of mine covers activities of progressive and final closure of a mine in production, reason why this plan constitutes a future commitment of Marcobre that amounts to a nominal value of US$29,525,000, which will become an obligation when the Company starts the activities that have an impact on the current conditions of the concessions.

Minera Sillustani S.A.C.
The subsidiary has a Closure Plan for Environmental Liabilities approved by the Ministry of Energy and Mines (MINEM) through Directorial Resolution No. 154-2009-MEM of June 10, 2009, as well as a modification of its schedule, approved by means of Directorial Resolution No. 354-2010-MEM/AAM on November 2, 2010. The plan for closing the environmental liabilities of the Mina Regina is oriented to propose the pertinent measures for the remediation of the liabilities that are part of the project.

The closure plan for mining environmental liabilities of the subsidiary has been prepared in compliance with Law N ° 28271 "Law Regulating the Environmental Liabilities of Mining Activity" modified by Law N ° 28526, and its regulation, Supreme Decree N ° 059-2005-EM, modified by Supreme Decree N ° 003-2009-EM. Likewise, it has been developed taking into account the Guide for the Preparation of Mining Environmental Liabilities of the MINEM.

In compliance with this obligation, on December 29, 2016, the Company presented to the Ministry of Energy and Mines, the Closure Plan of the environmental liability of the Mina Regina, which was subscribed in Directorial Resolution No. 117-2017-MEM-DGAAM of April 18, 2017.

As of June 30, 2019, the provision for mine closure amounts to US$6,389,000 equivalent to S/21,018,000 (US$7,296,000 equivalent to S/24,655,000 as of December 31, 2018).

(c) Community Support Agreement –
Compañía Minera Barbastro S.A.C.
On November 28, 2008, the subsidiary committed itself to the Rural Community of Tinyacclla, to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(i) From the first to the fifth year: US$19,000 per year.
(ii) From the sixth to the tenth year: US$23,000 per year.
(iii) From the eleventh to the fifteenth year: US$29,000 per year.
(iv) From the sixteenth to the twentieth year: US$36,000 per year.
(v) From the twenty-first to the twenty-fifth year: US$45,000 per year.

Minera Sillustani S.A.C.
On September 17, 2009, the subsidiary committed itself to the Rural Community of Rio de la Virgen to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(i) From the first to the fifth year: US$17,000 per year.
(ii) From the sixth to the tenth year: US$21,000 per year.
(iii) From the eleventh to the fifteenth year: US$26,000 per year.

On June 18, 2013, the subsidiary committed itself to the Peña Azul Rural Community, to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(i) Del primer al quinto año: US$36,000 anuales.
(ii) Del sexto al décimo año: US$43,200 anuales.
(iii) Del décimo primero al décimo quinto año: US$51,840 anuales.
(iv) Del décimo sexto al vigésimo año: US$62,208 anuales.

Both Agreements contemplate the creation of a "social management committee" in charge of: (i) determining the sustainable development works to be developed in the calendar year, (ii) prepare the budget and (iii) prepare the disbursement schedule.

(d) Guarantee –

The subsidiary Marcobre has obtained financing of US$900,000,000 for the development and construction of the Mina Justa project, which is guaranteed by its shareholders Minsur S.A. e Inversiones Alxar S.A. Until June 30, 2019, the subsidiary has received disbursements of US$252,000,000 (US$72,000,000 as of December 31, 2018).

As of June 30, 2019, the Taboca subsidiary does not have any commitments assumed in relation to commercial transactions, nor does it have any guarantees, warranties or guarantees granted to financial institutions, with the exception of exchange contract advances (ACC), US$31,700,000 and the export prepayment (PPE) for the amount of US$105,000,000, with original maturity scheduled for October 2023

23. Contingencies

Peruvian entities -

(a) As a result of the tax reviews made to the years from 2000 to 2010, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/49,673,000 (equivalent to US$14,701,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution. Management and its legal advisors estimate that this appeal will be favorable resolved in the interests of the Group.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of June 30, 2019, the accumulated payments under protest amounted to US$11,301,000 (US$6,656,000 as of December 31, 2018).

(b) During 2019, with respect to the tax process of 2004 and 2005 for regularization of Income Tax and Income Tax Payments for both years, SUNAT issued several Intendancy Resolutions in which it was ordered that the refund of S/36,638,000 (equivalent to US $10,904,000), of which S/24,235,000 (equivalent to US$7,213,000) corresponded to interest which was recognized as financial income, S/5,688,000 (equivalent to US$1,258,000) corresponded to undue payments of fines that were recognized as other income, and the balance of S/6,715,000 (equivalent to US$2,345,000) was recognized as a lower income tax expense.

(c) Sanctioning administrative processes -
As of June 30, 2019, and prior years, the Group has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" for its acronym in Spanish), Ministry of Production ("PRODUCE" for its acronym in Spanish) and Supervisor Organization of Investment in Energy and Mining ("OSINERGMIN" for its acronym in Spanish), respectively. Such notifications are related to breaches of the procedures for the protection and conservation of the environment and the rules of mining health and safety. As of June 30, 2019, and December 31, 2018, the administrative sanctions from OEFA, PRODUCE and OSINERGMIN amounted to 336 tax units – TU, equivalent to US$469,000. In relation to these notifications, the Group has appealed these sanctions, being currently pending of resolution by OEFA, PRODUCE and OSINERGMIN.

As of June 30, 2019, Management and its legal counsels have analyzed these processes and they have estimated a probable contingency of US$242,000 (US$335,000 as of December 31, 2018), which is presented under "Provisions" in the Consolidated statements of financial situation.

(d) Labor processes -
The company has several labor lawsuits mainly for compensation for damages due to occupational disease. In this regard, Management and its external legal advisors have followed up on the various processes that affect the Group. As a result of this analysis as of June 30, 2019 and December 31, 2018, the Group maintains provisions for labor contingencies, which are considered sufficient to cover the risks that affect the business for this concept. As of June 30, 2019, these provisions amount to approximately US$2,388,000 (US$2,150,000 as of December 31, 2018) and are presented in the "Provisions" caption of the consolidated statement of financial position.

Brazilian entities -
Mineração Taboca S.A. and its subsidiary have tax, labor, and other contingencies which are classified as possible. The main possible contingencies are detailed bellow:

(a) Lawsuit with Banco Santos -
Mamoré, the subsidiary of Taboca, is involved in five lawsuits initiated by Banco Santos, Fund Basa de Investimento Financiero and Mellon Aroveredo Fundo de Investimento Multimercado Previdenciario (Mellon Aroveredo) in relation to an alleged failure to pay credit agreements originally signed with Banco Santos during the years 2005 to 2007. These five claims include three lawsuits in which it is jointly involved with Mamoré, the former parent company Paranapanema. Of all these claims, in the opinion of the Group's and Management's legal advisors have a risk of loss classified as possible and amount to approximately R$105,898,000 (equivalent to approximately US$27,573,000).

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(b) Civil, Labor and tax proceedings -

Taboca and its subsidiaries maintain labor, civil and tax processes worth US$896,000, US$2,747,000 and US$30,309,000, respectively, as of June 30, 2019.

As of June 30, 2019, in opinion of Management and its external legal counsel, the resolution of tax, labor, civil and other contingencies, classified as possible in nature, will not result in additional liabilities to those already recorded by the group.

24. Segment information

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

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

No operating segments have been aggregated to form the above reportable operating segments.

All the non-current assets are located in Perú, Brazil and Chile.

Management monitors the profit (loss) before tax for each business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit (loss) before income tax and is measured consistently with income (loss) in the consolidated statements of profit or loss.

	Tin and Gold (Peru)							
	Tin **(Perú)**	**Gold** **(Perú)**	**Not distributable** **(Perú)**	**Total** **(Perú)**	**Tin** **(Brasil)**	**Mining exploration** **(Perú and Chile)**	**Adjustments and Eliminations**	**Total Consolidated**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$ (000)
As of June 30, 2019:								
Results:								
Sales	202,341	68,688	-	271,029	94,788			365,817
Sales cost	(97,797)	(43,264)	-	(141,061)	(81,459)			(222,520)
Administration expenses	(13,052)	(5,774)	-	(18,826)	(6,529)	(60)	351	(25,064)
Selling expenses	(2,249)	(690)	-	(2,939)	(939)	-	(1)	(3,879)
Exploration expenses and studies	(11,077)	(378)	-	(11,455)	-	(9,283)		(20,738)
Others, net	622	275	-	897	(780)	6	(351)	(228)
Operating income	78,788	18,857	-	97,645	5,081	(9,338)		93,388
Profit before income tax	-	-	95,244	95,244	(1,650)	(7,860)	3,650	89,384
Income tax	-	-	(35,227)	(35,227)	(528)	6,091		(29,664)
Net profit			**60,017**	**60,017**	**(2,177)**	**(1,769)**	**3,649**	**59,720**
Other revelations:								
Depreciation and amortization (included in costs and expenses)	(11,934)	(19,587)	(307)	(31,828)	(13,146)	(53)	-	(45,027)

	Tin and Gold (Peru)							
	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Not distributable (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brasil) US$(000)	Mining exploration (Perú and Chile) US$(000)	Adjustments and Eliminations US$(000)	Total Consolidated US$ (000)
As of June 30, 2018:								
Results:								
Sales	186,749	67,396	-	254,145	95,746	-	-	349,891
Sales cost	(90,639)	(34,330)	-	(124,969)	(77,427)	-	-	(202,396)
Administration expenses	(11,436)	(4,332)	-	(15,768)	(6,956)	(5,796)	-	(28,520)
Selling expenses	(1,646)	(627)	-	(2,273)	(1,482)	-	-	(3,755)
Exploration expenses and studies	(12,759)	(892)	-	(13,651)	-	(4,553)	-	(18,204)
Others, net	(2,810)	(1,064)	-	(3,874)	988	(873)	-	(3,759)
Operating income	**67,459**	**26,151**	**-**	**93,610**	**10,870**	**(11,222)**	**-**	**93,257**
Depreciation and amortization (included in costs and expenses)	(12,601)	(15,527)	-	(28,128)	(10,521)	(1,727)		(40,376)

25. Financial derivative instruments

(a) Since interest payments on loans obtained by the Marcobre subsidiary are subject to variations caused by indexing at a variable interest rate, the Group decided to opt for a hedging strategy called *bottom layer hedge* or tiered hedging strategy, by which it prospectively covers the Group's cash flows, which qualify as highly likely planned transactions, with three distinct tranches (with swaps and cap options) distributed as follows:

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

(b) These "Cap interest rate" and "Interest rate swap" contracts were subscribed for a maximum amount of US$720,000,000, which covers 80% of the subsidiary Marcobre's loan.

The total cost of premiums for Cap N°1 and Cap N°2 options was US$3,964,000 that will accrue during the term of the options. The payment of the premium of the options was financed within 4 years.

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

		Hedge Value	
		As of 06.30.2019	**As of 12.31.2018**
		US$(000)	US$(000)
Cash flow hedge -			
Interest rate swap (e)	From December 2018 to June 2023	19,640	30,500
Cap 1 – Interest rate (e)	From December 2018 to June 2023	14,051	21,457
Cap 2 – interest rate (e)	From June 2023 to September 2025	5,592	7,844
Total		39,283	59,801

(c) As of June 30, 2019, the "Cap interest rate" and "Interest Rate Swap" contracts generated an account payable for the fair value of derivative financial instruments in the amount of US$15,368,000.

(d) The subsidiary Taboca maintains derivative financial instruments, exchange rate swaps, Zero Cost Collar of exchange rate and NDF (Non-Deliverable Forward) with the objective of protecting and managing the risks inherent in the variation of foreign currency (dollar in the case of Taboca) and prices of tin commodities. These operations aim to reduce the exchange exposure and the significant changes in the prices of raw materials.

26. Subsequent events

No facts are available after the balance sheet date.