

# **Minsur S.A.**

## **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

### **1. Background and economic activity of the Company**

(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 Inversiones Breca S.A. domiciled in Peru, which holds 99.99% of the Company's common shares and 6.31% 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). As explained in Note 11, the investment in Inversiones Cordillera del Sur Ltda. is accounted for as an investment in an associate.

Furthermore, through its subsidiary Cumbres Andinas S.A.C., the Company holds shares in Marcobre S.A.C., a mining company that is in the exploration and definition stage (the definition stage begins once the feasibility of the mining project is approved).

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 March 31, 2018, the Company is developing the following projects:

(b.1) Mina Justa project

Through its subsidiary Marcobre S.A.C. is developing the Mina Justa copper mining project, whose estimated investment amount is US\$1,500 million and have an estimated average annual production of 162,000 tons of copper concentrate and 42,000 tons of copper cathodes, which is expected to be achieved from 2020 or beginning of 2021.

(b.2) Tin tailings project B2

During 2017, Minsur S.A. started the process of development of the tin tailings project B2 located in San Rafael Mine whose estimated investment amounts to US\$195 million, which consists in extracting tin from an old tailings through a production process to be carried out in the future plant of reuse of tailings. The start of production is estimated for 2019.

(c) Corporate reorganization -

(c.1) Merger of Marcobre S.A.C. with its parents CA Resources S.A.C. and subsidiaries

In the General Shareholders' Meeting of Marcobre S.A.C. celebrated at July 10, 2017, the merger by absorption between Marcobre S.A.C. (absorbing company) and CA Resources S.A.C. and subsidiaries (absorbed companies), holding companies whose assets corresponded to shares of other companies that owned shares of the Marcobre with an effective date of July 31, 2017.

The merger of entities under common control is not within the scope of IFRS 3 "Business combination", because the aforementioned corporate reorganization has not meant a change in the control of Marcobre considering that the entities that have participated in the corporate reorganization belong to the same economic group.

# **Minsur S.A.**

## **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

As a result of this transaction, the Company eliminated the assets of CA Resources S.A.C. and subsidiaries with the investments that were maintained.

(c.2) **Partial spin-off of Cumbres Andinas S.A.C. -**

The General Shareholders' Meeting held on December 21, 2017 approved the spin-off of an equity block from Cumbres Andinas S.A.C. (hereinafter the "equity block") related to assets and liabilities of the subsidiaries Minera Sillustani S.A.C and Compañía Minera Barbastró S.A.C. This spin-off had an effective date of December 30, 2017, the book value of the equity block transferred was S/49,374,000 (equivalent to US\$15,216,000). Likewise, the new company (Cumbres del Sur S.A.C.) issued shares that were gave to the shareholders of Cumbres Andinas in the same proportions that they that have in the latter as of the effective date of the spin-off.

## **2. Basis of preparation and accounting policies**

### **2.1 Basis of Preparation -**

The separate financial statements of the Company have been prepared and presented in accordance with the International Financial Reporting Standards (hereinafter "IFRS"), issued by the International Accounting Standards Board (hereinafter "IASB") in effect as of March 31, 2018. Regarding the new regulations issued, IFRS 15 "Revenue from ordinary activities proceeds from Contracts with Customers" (IFRS 15) and IFRS 9 "Financial Instruments" (IFRS 9) that have entered into force for the annual period commenced on January 1, 2018, the Company has determined the preliminary impacts that would result from the adoption of these new standards (note 2.2), which, after their final determination, will be incorporated in the financial statements as of June 30, 2018.

In accordance with International Financial Reporting Standards (IFRS) in force as of March 31, 2018, there is no requirement to prepare separate financial statements; but however in Peru the companies are required to prepare them in accordance with current legal requirements. Because of this, the Company has prepared separate financial statements using IAS 27 Separate Financial Statements. These financial statements are published within the period established by the Peruvian Securities Regulator.

The separate financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, derivative financial instruments, available-for-sale financial investments and embedded derivatives for sale of mineral, which have been measured at fair value.

The separate financial statements are presented in United States Dollars (US\$) and all values have been rounded to the nearest thousands, except when otherwise indicated.

The preparation of the separate financial statements requires management to make judgments, estimates and assumptions, as detailed in note 3.

These separate financial statements provide comparative information to the previous period. For a correct interpretation of the separate financial statements in accordance with IFRS, these should be read in conjunction with the consolidated financial statements.

### **2.2 New effective standards as of January 1, 2018 -**

IFRS 15 "Revenue from ordinary activities proceeds from Contracts with Customers" (IFRS 15) and IFRS 9 "Financial Instruments" (IFRS 9) have entered into force for the annual period beginning on January 1, 2018. The Company has completed an analysis of the main impacts that the application of these new standards would have on their financial statements and has determined their impacts in a preliminary manner. As previously indicated in this note, the Company estimates that the definitive impacts will be determined during the second quarter of 2018 to be incorporated in the

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

financial statements as of June 30, 2018. The description of the main changes identified, as well as the estimated impact, as applicable, are explained below:

#### *IFRS 15 "Revenue from ordinary activities proceeds from Contracts with Customers"*

IFRS 15 establishes a five-step model that will be applied to income from ordinary activities from contracts with customers. Under IFRS 15, income is recognized for an amount that reflects the contractual consideration that has been agreed with the client. The accounting principles set forth in IFRS 15 provide a more structured approach to measuring and recognizing income.

For the transition to IFRS 15, the Company plans to use the full retrospective approach and anticipates that it will only modify its accounting policy regarding the following subject:

#### - Obligations of performance in sales CIF and CFR

The Company sells a significant portion of tin metal under the CIF (Cost, Insurance and Freight) and CFR (Cost and Freight) incoterms, in which two distinctive performance obligations are identified, (i) the sale of the final metallic product of tin and (ii) logistic management activities (transport and insurance) that the Company carries out for its customers, after the transfer of control of the metallic tin at the loading port, that is, when it crosses the edge of the ship.

Logistics management represents a new element on which revenues are recognized and whose consideration must be separated from the value of each sale in which these incoterms are applied. Likewise, the Company has concluded that in this management it acts as an agent between the client and the supplier to whom it is contracted to provide this service, reason why the income for this activity must be presented net of its associated costs. Within the framework of the regulations in effect until 2017, the separation of income between these two elements was not required, so that the entire consideration for the sale was attributed to income from product sales and the cost of transportation and logistics activities it was presented as part of sales expenses. Preliminary calculations would not generate an impact on the Company's equity as of January 1 and December 31, 2017, however, in the presentation of the statement of income for the period of March 31, 2018 and 2017, the items of sales revenue and sales expenses would decrease by US\$230,000 and US\$238,000, respectively.

#### *IFRS 9 "Financial Instruments"*

IFRS 9 presents changes mainly in the following areas: the classification and measurement of financial instruments, the impairment of financial assets, hedge accounting and the accounting for changes in financial liabilities.

Retroactive application is required and it is the Company's intention to present the comparative information to the adoption, in all that is permitted.

The aspects associated with hedge accounting and changes in liabilities have no impact on the initial application of IFRS 9 for the Company.

The main impacts resulting from the initial application of IFRS 9 are associated with aspects of classification, measurement and impairment of financial assets that are described below:

#### - Classification and measurement of financial assets

IFRS 9 includes three main classification categories for financial assets:

- measured at amortized cost,
- at fair value through changes in other comprehensive income (VR-ORI), and
- at fair value through profit or loss (VR-GyP).

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and on the characteristics of its contractual cash flows. The standard

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

eliminates the existing categories of IAS 39 from held-to-maturity, loans and receivables and available-for-sale.

The main changes resulting from the evaluation of the new concepts of IFRS 9 in terms of classification and measurement have led to the accounting changes described below:

1. Certain tin metal sales made by the Company contain provisional pricing features that are settled on a date subsequent to the delivery of the metal with the current price on that date. The revenues from these sales are recognized at the time of delivery of the metal and are valued based on the estimated price expected to be received at the end of the quotation period (QP), using the most recent tin metal estimate (based on the initial test results) and the estimated forward price. To date, in sales with provisional prices, an implicit derivative whose measurement reflected the changes in provisional prices with the future forward prices of the metal and the definitive liquidation price are separately identified, which are recognized in the results of the impact. in the cash flows of the future price of the metal at the time of its settlement and is accounted for at fair value through profit or loss in each period until the final settlement that is presented in the net sales item of the statement of income.

Similarly, with the application of IFRS 15, the elements of a sale contract must be separated to be treated according to the corresponding standard, that is, IFRS 15 or IFRS 9. Therefore, for this case, the need to separate the future price variability component and to be treated in accordance with IFRS 9 is maintained. In the application of IFRS 9, the need to separate implicit derivatives contained in financial assets has been eliminated, and it is now required to measure in full at fair value the host contract that contains the embedded derivative. Changes in fair value must be presented in the statement of income or in segregated notes of income from customers (product sales).

As a result of this change, the Company has determined that the appropriate classification for these instruments will be of 'fair value through profit or loss', so it will measure at fair value the accounts receivable from sales with provisional prices, incorporating the variability in future prices, as well as the credit risk of the counterparts. Changes in fair value will be recognized in income as part of the income item.

2. The Company maintains investments in mutual funds in the category of investments available for sale measured at fair value with changes in other comprehensive income. With the application of IFRS 9, these investments, based on their nature, should be recognized at fair value through profit or loss. The preliminary impact, as of March 31, 2018, of this change would generate an increase in the balance of accumulated results and a decrease in the item of other comprehensive income of US\$4.6 million, respectively. While, as of March 31, 2017, it would generate an increase in the balance of accumulated results and a decrease in the item of other comprehensive income of US\$3.4 million, respectively.
3. The Company holds investments in equity instruments in BBVA Spain and in Rímac Seguros and Reaseguros, classified as at fair value through profit or loss. With the application of IFRS 9, the Company has determined that it will classify these investments as financial assets at fair value with changes in other comprehensive income because their holdings are more for strategic purposes than for sale intentions. Based on the preliminary calculations, the change would result in a decrease in the balance of other comprehensive income with effect of the item of other comprehensive income as of March 31, 2018 for US\$2.0 million. Likewise, it would generate an increase in other comprehensive income as of March 31, 2017 of US\$0.7 million.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

- **Deterioration**

IFRS 9 replaces the model of incurred losses presented in IAS 39 with an expected credit loss model (PCE). The PCE model will be applied to debt instruments, most of the loan commitments and contractual assets under IFRS 15 and accounts receivable under IAS 17, 'Leases' or IFRS 16, 'Leases'. Under the PCE model, an entity must apply an approach ("general approach") by which it must recognize, in the initial recognition of the instrument and subsequently, the estimated PCE for only the following twelve months, unless significant impairment occurs. in the credit risk of the counterparty, in which case the recognition of the PCE will be required throughout the life of the instrument.

In the case of commercial accounts receivable (regardless of whether they have a significant financing component) and contract assets in accordance with IFRS 15, an entity must apply an approach ("simplified approach") by which the PCE is recognized for all the life of the instrument. For accounts receivable for leasing, there is the option to apply the general approach or simplified approach, depending on the accounting policy chosen by the entity.

From the application of this new concept of PCE, the Company has determined the following impacts in its financial statements:

1. Accounts receivable from sales with a provisional price recognized at amortized cost required impairment evaluation. With the application of IFRS 9, these items will be measured at fair value with changes in results, so that the impairment assessment will no longer be required.
2. Commercial accounts receivable from other sales will be subject to impairment evaluation applying the simplified approach. However, the Company has concluded that based on the historical behavior of its client portfolio where no defaults are observed, the credit quality of the clients and a qualitative evaluation of prospective macroeconomic information will not be required to record provisions for impairment of accounts by charge as it would not be expected that the level of credit risk in the future deteriorate.
3. For loans receivable from related parties, the Company will apply the general approach that involves estimating expected losses during the first twelve months or, if there is a significant increase in credit risk, during the total loan term. At the date of initial application, the Company considers that the loans qualify as loans with low credit risk therefore and does not expect defaults to materialize in the following twelve months, therefore, it considers that the recording of provisions will not be required. for deterioration.

#### **2.3 Summary of significant accounting policies -**

The following significant accounting policies are used by the Company to prepare its separate financial statements:

(a) **Cash and cash equivalents -**

Cash and cash equivalents in the separated statement of cash flows comprise cash, banks and on hand and short-term deposits with an original maturity of three months or less.

For presentation purposes in the consolidated statement of cash flows, cash and cash equivalents include cash, term deposits and highly liquid investments, whose original maturity is three months or less.

Those term deposits and investments whose original maturity is greater than three months will be presented in the caption "Other financial assets" of the separate statement of financial position.

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

(b) Financial Instruments: Initial recognition and subsequent measurement -

As indicated at the beginning of this note, the accounting policies for financial instruments are defined in IFRS 9, as of January 1, 2018. For these financial statements as of March 31, 2018, the Company has maintained the current accounting policy as of December 31, 2017, accordingly, the description of the accounting policy below is based on the concepts in force as of that date.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i). Financial Assets -

*Initial recognition and measurement -*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and trade receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include cash and cash equivalent, trade and other receivables, available-for-sale financial investments, derivative financial instruments and financial assets at fair value through profit or loss.

*Subsequent measurement -*

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss.
- Loans and trade receivables.
- Held-to-maturity investments.
- Available for sale financial investments.

*Financial assets at fair value through profit and loss -*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instrument as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the separate statement of financial position at fair value, and the changes in fair value are presented as finance costs (negative net change in fair value) or finance income (positive net changes in fair value) in the separate statement of profit or loss.

The Company has classified certain investments as financial assets at fair value through profit or loss, see note 9.

Embedded derivatives in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

#### *Loans and receivables -*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial are subsequently measured at amortized cost using the effective interest rate method (here in after EIR), less impairment. The losses arising from impairment are recognized in the separate statement of profit or loss.

This category applies to trade and other receivables. For more information on receivables, refer to note 7.

#### *Held-to-maturity investments -*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity.

The Company does not have these financial assets as of March 31, 2018 and December 31, 2017.

#### *Available-for-sale (AFS) financial investments -*

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) and credited in the unrealized gain on available-for-sale investments until investment is derecognized. In this moment, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the separate statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using EIR method.

The Company has classified equity securities and debt instruments as available-for-sale financial investments as of March 31, 2018 and December 31, 2017, see note 9.

#### *Derecognition -*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- (i) The rights to receive cash flows, from the asset have expired; or
- (ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the asset of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii). Impairment of financial assets -

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

*Financial assets carried at amortized cost -*

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the separate statement of profit or loss. Interest income (recorded as finance income in the separate statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any amount written off and subsequently recovered, the recovery is recorded as finance costs in the separate statement of profit or loss.

*Available for sale (AFS) financial investments -*

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

recognized in the separate statement of profit or loss is removed from OCI and recognized in the separate statement of profit or loss. Impairment losses on equity investment are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as financial assets available for sale, impairment testing is performed according to the same criteria used for financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between amortized cost and the current fair value, less any impairment loss on that previously recognized in the separate statement of profit or loss.

Then, interest income is recognized based on the updated carrying amount of the reduced asset, using the discount rate in future cash flows used in the measuring the impairment loss. Interest income is recorded as part of financial income. If in the future, the fair value of the debt instrument increases and the increase can be objectively related to an event after the loss recognition in the separate statement of profit or loss, the impairment loss is reversed through the separate statement of profit or loss.

(iii). **Financial Liabilities -**  
*Initial recognition and measurement -*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case the trade payables, interest-bearing loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings and embedded derivative for sale of mineral.

*Subsequent measurement -*

The subsequent measurement of financial liabilities depends on their classification as described follows:

*Financial liabilities at fair value through profit and loss -*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivatives and financial liabilities designated upon initial recognition as fair value through profit or loss.

Gains or losses on liabilities held for trading are recognized in the separate statement of profit or loss.

Except for the embedded derivative for sale of tin, the Company has not designated, at initial recognition, any financial liability as at fair value through profit or loss.

*Loans and borrowings -*

After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate method (EIR). Gains and losses are recognized in the separate statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the separate statement of profit or loss.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

This category includes trade and other payables and interest-bearing loans and borrowings. For more information refer to notes 14 and 15.

#### *Derecognition -*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statement of profit or loss.

#### (iv). Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (v). Fair Value -

The Company measures financial instruments as embedded derivatives, derivative financial instruments and available-for-sale investments at fair value at each separate statement of financial position date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in note 31.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### (c) Foreign currency transactions -

The Company's separate financial statements are presented in U.S. Dollars, which is also the Company's functional and presentation currency.

#### *Transactions and balances -*

Transactions in foreign currencies (different currency than U.S. Dollar) are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the separate statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction.

#### *Translation of financial statements of foreign subsidiaries into U.S. dollars -*

The financial statements of the foreign subsidiaries are stated in the functional currency (Soles for Minera Sillustani S.A.C and Compañía Minera Barbastro S.A.C.) (Chilean pesos for Minera Andes del Sur S.P.A., and Brazilian Reais for Mineração Taboca S.A. and its subsidiaries), and are then translated into U.S. dollars. For these purposes, all assets and liabilities of foreign operations are translated at the exchange rate for sales prevailing at the reporting date, and all equity accounts are translated using exchange rates prevailing at the dates of the transactions. Income and expense items are translated at the exchange rate for sales, in the case when the average exchange rate does not approach to the exchange rate of the transaction, the Company uses the exchange rate of the transaction. The exchange differences arising on translation are recognized in other comprehensive profit or loss of the consolidated statement of the comprehensive income.

#### *Translation of financial statements of foreign associates into U.S. dollars -*

In the determination of the equity method of some companies whose functional currency is different from the functional currency of the Company (Inversiones Cordillera del Sur Ltda. which prepare their financial statements in Chilean pesos and Futura Consorcio Inmobiliario S.A., which prepare their financial statements in soles), the Company calculates a translation result, which is the result of the translation of the balances at each closing date. The differences generated are shown in "other comprehensive income" of the separate statement of comprehensive income.

#### (d) Inventories -

The finished products and work in progress are valued at the lower of cost and net realizable value. Costs incurred to bring each product to its present location and conditions are recorded as follows:

##### *Raw materials and supplies -*

- Purchase cost using the weighted average method.

##### *Finished products, work in-progress and mineral extracted -*

- Cost of direct materials and supplies, services provided by third parties, direct labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs and exchange currency differences.

##### *Inventories in transit -*

- Purchase cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

The estimation (reversal) for impairment of inventories is determined annually by Management by reference to specific items of materials and supplies and is charged or credited to profit or loss in the period when the need of the provision (reversal) is settled.

#### (e) Investment in subsidiaries and associates -

The subsidiaries are entities over which the Company has control; the control is achieved when the Company is exposed, or has rights to variable returns from its involvement in the entity

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

receiving the investment and has the ability to affect those returns through its power in the entity receiving the investment.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associates are recorded using the equity method.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment, and is neither amortized nor individually tested for impairment.

The separate statements of profit or loss reflects the share of the Company in the results of operations of the subsidiaries and associates.

When there has been a change recognized directly in the equity of the subsidiary and associate, the Company recognizes the participation in this change and accounts for, when applicable, in the separate statement of changes in equity. Unrealized gains and losses on common transactions are eliminated in proportion to the interest held in the subsidiary and associate.

The Company's participation in the profits or losses of subsidiaries and associates are presented separately in the separate statement of profit or loss and represents the profit or loss after tax of subsidiaries and associates.

The reporting dates of the Company and subsidiaries and associates are identical and the accounting policies of subsidiaries are consistent with those used by the Company for similar transactions and events.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on investments in subsidiaries and associates. The Company determines at each date of the statement of financial position whether there is objective evidence that the investment in subsidiaries and associates are impaired. If applicable, the Company calculates the amount of impairment as the difference between the fair value of the investment in the subsidiary and the carrying value and recognizes the loss in the separate statement of profit or loss.

In the event of loss of significant influence on the subsidiaries and associates, the Company measures and recognizes any accumulated investment at its fair value. Any difference between the book value of the subsidiaries and associates at the time of loss of significant influence, the fair value of the investment held and the proceeds from the sale, is recognized in the separate statement of profit or loss.

(f) **Property, plant and equipment -**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to the asset being ready to be used, the initial estimate of the asset retirement obligation, and borrowing costs related to the qualified assets. The capitalized value of a finance lease is also included within property, plant and equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in separate statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

#### *Depreciation -*

Units-of-production (UOP) method

Depreciation related to assets involved to mining activities whose useful life is greater than the life of mine is calculated using the units-of-production (UOP) method, based on reserves economically recoverable of each mine.

#### *Straight-line method*

Depreciation of assets whose useful life is shorter than the life of the mine, or that these are related to administrative, is calculated using the straight-line method, based on the estimated useful life of the assets. The estimated useful life of such assets is presented as follows:

	Years
Buildings and other constructions of the San Rafael mining unit	Between 2 and 5
Buildings and other constructions of the Pucamarca mining unit	Between 3 and 5
Buildings and other constructions related to smelting plant Pisco	Between 4 and 29
Machinery and equipment	Between 1 and 6
Vehicles	Between 3 and 10
Furniture and fixtures and computer equipments	Between 2 and 10
Communication and security equipments	Between 2 and 10

The assets' residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### *Disposals -*

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the separate statement of profit or loss when the asset is derecognized.

#### (g) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the date of commencement of lease. It is necessary to assess whether the performance of the contract is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

#### *Finance leases -*

Finance leases that transfer to the Company substantially all the risks and benefits inherent to the ownership of the leased item, are capitalized at the commencement date of the lease at the fair value of the leased property or, if the amount lease is lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

balance of the liability. Finance charges are recognized in finance costs in the separate statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### *Operating leases:*

Operating lease payments are recognized as an operating expense in the separate statement of profit or loss on a straight-line basis over the lease term.

#### (h) Mining concessions -

The mining concessions represent the right of exploration and exploitation that the Company has over the mining properties that contain the acquired mineral reserves and resources. Those mining concessions are showed at cost and amortized starting from the production phase following the units-of-production method based on proved and estimated reserves to which they relate. In case the Company abandons the concessions, the associated costs are charged directly to the separate statement of profit or loss.

At end of year, the Company assesses at each unit mine whether there is an indication that the value of its mining concessions may be impaired. If any indication exists, the Company estimates the asset's recoverable amount.

Mining concessions are presented within the caption "Intangibles assets, net" in the separate statement of financial position.

#### (i) Exploration and evaluation costs -

Exploration and evaluation costs include the activities of search of mineral resource, the determination of technical viability and the assessment of the commercial viability of an identified resource. These costs are charged to expenses according to be incurred until such time as the technical and commercial viability of the identified resource is determined (pre-feasibility study). From the beginning of the stage of definition of technical and commercial feasibility of high precision (feasibility study), the costs incurred are capitalized. Exploration activities include:

- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

#### (j) Development costs -

When it is determined that a mineral property can be economically viable, that is, when determining the existence of proven and probable reserves, the costs incurred to develop such property, including additional costs to delineate the ore body and remove any impurities are capitalized as development costs in the item "Development costs". These costs are amortized using the units of production method, using the proven and probable reserves.

Development costs activities include:

- Engineering and metallurgical studies.
- Drilling and other costs to delineate the ore body.
- Removal of impurities related to the ore body.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

Development costs necessary to maintain production are expensed as incurred.

(k) Stripping (waste removal) costs -

As part of its mining operations, the Company incurs waste removal costs (stripping costs) during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized and their accounting treatment is as explained in point (j) above.

The costs incurred during the production phase (stripping costs) are realized to obtain two benefits, the production of inventories or better access to mineral that will be exploited in the future. When the benefits are realized to the production of inventories they are recorded as part of the cost of production of this inventories. When the benefits obtained give access to the mineral to be exploited in the future and the operation is open pit, then these costs are recognized as non-current assets (stripping costs) if the three following criteria are met:

- Future economic benefits are probable;
- The component of the ore body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

In identifying components of the ore body, the Company works closely with the mining operations personnel for each mining operation to analyze each of the mine plans.

Substantially stripping costs incurred by the Company are related to the production of inventory and not to improved access to the ore to be mined in the future.

(l) Intangible assets -

Intangible assets acquired separately are measured on initial recognition at cost.

*Goodwill -*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

*Licenses -*

Software is presented at cost and includes all the disbursements directly related to the acquisition or startup of the specific computer program. These costs are amortized using the straight-line method over an estimated useful life of 4 years.

*Usufruct of lands -*

It corresponds to payments for the right to use certain lands near to the mining units of the Company, needed for its operation and are recorded at cost. These costs are amortized using the straight-line method over the life of the respective agreements (between 2 and 10 years).

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

(m) Impairment of non-financial assets -

The Company assesses, at each reporting date, whether there is an indication that an asset (or cash generating unit - CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU), and the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the separate statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets in general, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of profit or loss with exception of impairment loss related to the goodwill.

(n) Provisions -

*General -*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the separate statements profit or loss.

*Provision for closure of mining units -*

At the time of initial recognition of the provision for closure of mining units, the fair value of the estimated costs is capitalized by increasing the carrying amount of the long-lived assets (development costs and property, plant and equipment). Then, the provision is increased in each period to reflect the financial cost considered in the initial estimation of the fair value and, in addition, the capitalized cost is depreciated and/or amortized on the basis of the useful life of the related asset. In settling the obligation, the Company records in the current results any resulting gain or loss.

The change in the fair value of the obligations or in the useful life of the related assets, resulting from the revision of the initial estimates are recognized as an increase or decrease in the carrying value of the obligation and the related asset. Any reduction in a provision for closure of mining units and, therefore, any reduction of the related asset, may not exceed the carrying

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

amount of such asset. If so, any excess over the carrying amount is immediately taken to the separate statement of profit or loss.

If the change in the estimate results in an increase in the provision and, therefore, an increase in the carrying amount of the asset, the Company shall take into account whether this is an indication of impairment of the asset as a whole and shall perform and impairment testing in accordance with IAS 36 "Impairment of Assets".

In the case of mines in a closing process; therefore, not available for mining activities, changes in estimated costs are recognized immediately in the separate statements of profit or loss.

#### *Environmental expenditures and liabilities -*

Environmental expenditures related with current or future revenues are recorded as expense or are capitalized, as appropriate. Expenditures related with an existing condition caused by past operations and do not contribute to current or future revenues are expensed as incurred.

Liabilities for environmental costs are recognized when an obligation to undertake clean-up activities is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, with the decommissioning or closure of inactive sites.

The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the future expenditures estimated.

#### *(o) Employees benefits -*

The remunerations, severance contributions, legal bonuses, performance bonuses and vacations to workers are calculated in accordance with IAS 19, "Employee Benefits" and are calculated in accordance with Peruvian legal regulations in force and on an accrual basis.

#### *(p) Revenue recognition -*

As indicated at the beginning of this note, the accounting policies for financial instruments are defined in IFRS 9, as of January 1, 2018. For these financial statements as of March 31, 2018, the Company has maintained the current accounting policy as of December 31, 2017, accordingly, the description of the accounting policy below is based on the concepts in force as of that date.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

#### *Metals sales -*

Sales of metallic tin and gold are recognized when the Company has delivered the products at the place agreed with the customer, customer has accepted the products and the collection of the receivable is reasonably assured.

In relation to sales of tin, the Company assigns a provisional sales price based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral at the end of the agreement. The exposure to changes in the prices of metals generates an embedded derivative that should be separated from the host contract. At end of each year, the sales price initially used must be adjusted accordingly with the forward price for the settlement period stipulated in the contract. The embedded derivative, which does not qualify for hedge

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

accounting, is initially recognized at fair value, and the subsequent changes in fair value are recognized in the separate statement of profit or loss and presented as part of net sales.

In relation to the measurement of gold sales, these are not subject to a final price adjustment and do not generate embedded derivatives.

#### *Service revenues -*

Income from services rendered to related parties is recognized as income when they have actually been rendered.

#### *Interests income -*

For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the separate statements of profit or loss.

#### *Sale of assets -*

Income and cost from the sale of assets such as the sale of property, plant and equipment, intangible assets, investments in subsidiaries and associates are recognized as part of income and operating expenses in the separate statement of profit or loss.

#### *Dividends -*

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (q) *Financing costs -*

The financing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalized as part of the cost of an asset. A qualified asset is one that requires a period of time greater than 12 months to be ready for its expected use and represents an investment of more than US\$5,000,000. All other financing costs are recognized in the separate statement of profit or loss in the period in which they are incurred. Financing costs include interest and other costs incurred by the Company when obtaining financing.

#### (r) *Tax -*

##### *Current income tax -*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, or whose approval will find nearing completion, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the separate statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax -*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, when

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Significant management judgment to determine the amount of deferred tax assets that can be recognized based on the probable date of recovery and level of future taxable income and future tax planning strategies are required.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax related to items recognized outside profit or loss is recognized outside profit or loss are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Mining Royalties and Special Tax on Mining in Peru -*

Mining royalties and special mining tax are accounted for under IAS 12 "Income taxes" since they have the characteristics of income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable net income—rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in force on the date of the separate statement of financial position.

Consequently, payments made to the Government by way of special mining and mining royalty tax are under the scope of IAS 12 and, therefore, is treated as income taxes. Both the mining royalty as the special mining tax generate deferred tax assets or deferred tax liabilities which must be measured using the average rates that are expected to apply to operating profit in the period in which the Company expects will reverse the temporary differences.

#### *Sales Tax -*

Revenues, expenses and assets are recognized net of the amount of sales tax (added value tax), except:

- (i). When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- (ii). When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the separate statements of financial position.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

#### **3. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that significantly affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures; as the disclosure of contingent liabilities as of the date of the separate financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. More information about each of these areas and the impact on the separated financial statements and in the Company's accounting policies for the application of the significant judgments, estimates and accounting assumptions that have been used are presented below, as well as in the notes to the respective separate financial statements.

These include:

##### **Judgments:**

- Contingencies (note 3.1 (a))
- Start date of the development stage (note 3.1 (b))
- Recovery of deferred income tax asset related to the provision for mine closure (note 3.1 (c))
- Stripping costs (clearing costs) (note 3.1 (d))
- Recognition of the investment in Inversiones Cordillera del Sur I Ltda. (Note 3.1 (e))

##### **Estimates and assumptions:**

- Determination of reserves and resources (note 3.2 (a))
- Unit of production method (UOP) (note 3.2 (b))
- Recovery of deferred tax assets (note 3.2 (c))
- Provision for closure of mining units (note 3.2 (d))
- Determination of the net realization value of inventories (note 3.2 (e))
- Impairment of non-financial assets (note 3.2 (f))
- Taxes (note 3.2 (g))
- Determination of the cost of products in process (note 3.2 (h))
- Obsolescence of materials and supplies (note 3.2 (i))

#### **3.1 Judgements -**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the separate financial statements:

##### **(a) Contingencies -**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Assessing the existence and potential amount of contingencies inherently involves the exercise of significant judgment and the use of estimates about the outcome of future events.

##### **(b) Start date of development stage -**

The Company continuously assesses the status of each of the exploration projects in its mining units in order to determine the effective date on which the development stage will begin. One of the most relevant criteria that is used by the management to evaluate the start date of the development stage is when the Company determines that the property can be economically developed.

##### **(c) Stripping costs -**

The Company incurs in waste removal costs during the production phases of its open pit mine. During the production phase, the stripping costs (costs of clearing production) can be related to the production of inventories in that period and / or the development of better access and

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

operational flexibility in relation to the mining of ore that is expect to extract in the future. The first are included as part of the production costs of inventories, while the second are capitalized as a separate asset by stripping, when certain criteria are met.

Once the cost of stripping has been identified, it is necessary to identify the different components of the ore bodies in order to accumulate the costs for each component and amortize them based on their respective useful lives. An identifiable component is a specific volume of the deposit that is made more accessible by the stripping activity. An in-depth evaluation is needed to identify and define these components, as well as to determine the expected volumes (for example, tons) of stripping to be exploited and ore extracted in each of these components.

The Company Management considers that due to the short term of the operation of the open pit operated by the Company (maximum 6 years) and according to the operational planning of the mining unit the mineral/waste ratio is very similar in the years of operation of the mining unit, the costs of stripping incurred in each year of operation are directly related to the mineral produced in the same year. As a consequence, all movement costs of sterile material are charged directly to the production cost of the year in which the movement of the sterile material took place.

(d) Recognition of investment in Inversiones Cordillera del Sur I Ltda. -

On January 29, 2015, the subsidiary Minera Latinoamericana S.A.C. subscribed with its related party Inversiones Breca S.A., (hereinafter "Breca") a shareholder agreement by which it was agreed that Breca (minority shareholder of Inversiones Cordillera del Sur I Ltda., hereinafter "Cordillera") would direct all relevant activities of Cordillera as of 2015. In accordance with IFRS 10 "Consolidated financial statements", when a loss of control of a subsidiary occurs, the parent company ceases to consolidate the financial information of the subsidiary as of the date on which the loss of control of the subsidiary is produced, and records the investment in that entity as an associate. However, IFRS do not contemplate the accounting treatment in transactions between entities under common control. In this sense, the Management decided, not to consolidate the investment in Cordillera.

(e) Recovery of the deferred income tax asset related to the provision for closure mine -

The Company has recognized a deferred income tax asset related to the provision for the closure of mining units, including the part related to mine closure disbursements that will be made after the closure of the mine, which Management estimates will be applied in its entirety to the future taxable income that will be generated from the operations of the refining unit in Pisco.

#### **3.2 Estimates and assumptions -**

The following are key future-related assumptions and other key sources of uncertainty estimates as of the date of the separate financial statements and which carry a high risk of significant adjustments to the carrying amounts of assets and liabilities during the next period. The Company has based its estimates and assumptions on the basis of the parameters available at the moment of the preparation of these separate financial statements. However, the circumstances and assumptions about future events may change due to changes in the current market and new circumstances that may arise beyond the control of the Company. The changes are reflected in the assumptions at the time of occurrence.

(a) Determination of mineral reserves and resources -

The Company calculate its ore reserves and resources using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

The process of estimating the amount of reserves and mineral resources is complex and requires the making of subjective decisions at the time of evaluating all the geologic, geophysical, engineering and economic information that is available. Revisions could occur in estimated reserves due to, among other things, revisions of the geologic data or assumptions, changes in assumed prices, production costs and the results of exploration activities. The changes in estimates of mineral reserves could affect mainly the carrying value of mining concessions, development costs, property, plant and equipment; the charges to results corresponding to depreciation and amortization; and the carrying amount of the provision for closure of mining units.

(b) Units of production depreciation (UOP) -

Estimated economically recoverable reserves are used in determining the depreciation and/or amortization of mine-specific assets.

This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in estimates are accounted for prospectively.

(c) Recovery of deferred tax assets -

Judgment is required to determine whether deferred tax assets should be recognized in the separate statement of financial position. Deferred tax assets, including those generated by unused tax losses, require Management to evaluate the probability that the Company generates sufficient taxable profits in future periods to use the recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These estimates of future taxable income are based on projections of operating cash flows and judgments about the application of current tax laws. To the extent that the future cash flows and taxable income differ significantly from the estimates, the Company's ability to realize the net deferred tax assets recorded at the reporting date could be affected.

(d) Mine rehabilitation provision -

The Company assesses its mine rehabilitation provision at each reporting date using a discounted cash flow model. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates and terms in which cost are expected to be incurred. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents Management's best estimate of the present value of the future rehabilitation costs required.

(e) Determination of the net realizable value of inventories -

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

(f) Impairment of non-financial assets -

The Company assesses each asset or cash generating unit in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, among others. These estimates and assumptions are subject to risk and uncertainty.

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

The fair value of mining assets is generally calculated by the present value of future cash flows arising from the continued use of the asset, which include some estimates, such as the cost of future expansion plans, using assumptions that a third party might consider. The future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money over time, as well as specific risks of the asset or cash-generating unit under evaluation. The Company has determined the operations of each unit as an independent cash generating unit.

(g) Taxes -

Deferred tax assets are recognized for unused tax losses and deducting temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(h) Determination of the cost of products in process (gold) -

The leaching ore deposits contain the material extracted from the pit and have a 60-day termination cycle, which are monitored through a stacking control at the cell level, this solution is filtered through pipes and is accumulated in the PLS pool, the quantities in this area is obtained by using a graduated rule drawn on the geomembrane of the PLS Pit.

The rich solution of the PLS well is pumped to two lines of adsorption tanks. The first line consists of six in-line pressurized absorption tanks which were previously charged with carbon, which has the property of absorbing the gold. The second is five cascade absorption tanks that are also fed with carbon. To each of the mentioned tanks a balance is made for each column, which takes the flow that enters, the grade that enters and the grade that comes out through samplers, is multiplied by the volume and accumulated ounces are obtained, the difference being what remains in the columns with the carbon. Each circuit has flow meters with daily maintenance according to the Integrated Management System program, the control of these quantities is monitored through daily operational reports.

Afterwards, the process stops being continuous to go through a process of desorption, monitoring the gold that is deposited, in this phase the Group manages a recovery ratio of 98.38 percent, the remaining gold remains in the coal which is recirculated to the process through a chemical and thermal regeneration leaving it ready to return to the circuit.

The processes and the recovery ratio are constantly monitored, and the estimated recovery rates are adjusted periodically as additional information becomes available and considering technological changes.

(i) Obsolescence of materials and supplies -

The allowance for obsolescence of materials and supplies is determined based on an analysis carried out annually by the Company Management, which considers the obsolete and slow-moving items, and is charged to the separate statement of profit or loss in the year in which is determined the need for such allowance.

#### 4. Standards issued but not yet effective

The following are the standards and relevant interpretations applicable to the Company, which have been published but were not yet in effect as of the date of issuance of these separate financial statements of the Company.

*IFRS 16 "Leases"*

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 introduces a single tenant accounting model whereby it

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

requires the recognition of assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset is of low value. The lessee must recognize an asset for right of use that represents its right to use the underlying leased asset and a lease liability that represents its obligation to make lease payments. A lessee measures right-of-use assets in a manner similar to other non-financial assets (such as property, plant and equipment) and lease liabilities in a manner similar to other financial liabilities.

The Company has decided to adopt IFRS 16 in advance in 2018, applying the retrospective approach. In a manner similar to its adoption of the new 2018 regulations (note 2.2), the Company has carried out an impact assessment and has preliminarily calculated the quantitative impacts, which will be definitively determined in the second quarter of 2018 to be included in the financial statements as of June 30, 2018.

As a result of its evaluation, the main impact of the application of IFRS 16 for the Company is the recognition in the statement of financial position of contracts in which it obtains the right to use assets, mainly associated with operating leases and certain service contracts. that contain implicit leases. The initial application of IFRS 16 would result in an increase in assets as of January 1 and December 31, 2017 of US\$8.3 million and US\$6.3 million, respectively, and an increase in financial liabilities as of January 1 and December 31. December 2017 of US\$8.3 million and US\$6.5 million, respectively. Likewise, this application would result in a decrease in the results of the period between January 1 and March 31, 2017 and of 2018 of US\$87,000 and US\$57,000.

#### *IFRIC 23, "Uncertainty about the Treatment of Income Taxes"*

Effective as of January 1, 2019, 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. Management is currently evaluating the impact of this rule on its financial reports and disclosures.

## 5. Transactions in foreign currency

Transactions in foreign currency (mainly in Soles, before denominated "Nuevos Soles") take place at the open-market exchange rates published by the Superintendencia de Banca, Seguros y AFP. As of March 31, 2018, the weighted average open-market exchange rates for transactions in Soles were US\$0.3102 for purchase and US\$0.3097 for sale (US\$0.3088 for purchase and US\$0.3082 for sale as of December 31, 2017).

As of March 31, 2018 and December 31, 2017, the Company had the following assets and liabilities in Soles:

	<b>As of March 31, 2018</b>		<b>As of December 31, 2017</b>	
	S/ (000)	Equivalent in US\$(000)	S/ (000)	Equivalent in US\$(000)
<b>Assets</b>				
Cash and cash equivalents	1,204	373	599	185
Trade and other accounts receivable, net	8,502	2,596	25,241	7,795
Available-for-sale financial assets	-	-	9,524	2,935
	<u>9,706</u>	<u>2,969</u>	<u>35,364</u>	<u>10,915</u>
<b>Liabilities</b>				
Trade and other payables	(108,661)	(33,704)	(151,746)	(46,763)
Income tax liabilities	(18,365)	(5,688)	(14,129)	(4,354)
	<u>(127,026)</u>	<u>(39,392)</u>	<u>(165,875)</u>	<u>(51,117)</u>
<b>Net liabilities position</b>	<b>(117,320)</b>	<b>(36,423)</b>	<b>(130,511)</b>	<b>(40,202)</b>

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

As of March 31, 2018 and December 31, 2017, the Company has no financial instruments to cover exchange risk in its operations in foreign currency.

#### 6. Cash and cash equivalents

(a) This caption was made up as follows:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Cash on hand	13	5
Cash demand deposits (b)	5,600	32,383
Overnight deposits (c)	104,698	101,377
Time deposits (d)	94,368	69,117
Balance considered in the separate statements of cash flow	204,679	202,882
Time deposits with original maturities greater than 90 days (e)	120,414	160,444
<b>Total</b>	<b>325,093</b>	<b>363,326</b>

(b) As of March 31, 2018 and December 31, 2017, the Company 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) Time deposits have original maturities of less than 90 days and may be renewed at maturity. As of March 31, 2018 and December 31, 2017, these deposits accrued interest at market interest rates.

(d) Overnight deposits are one day deposits in a foreign bank, which yield interest at market rates.

(e) Term deposits with original maturities greater than 90 days are presented in the caption "Other financial assets" of the separate statement of financial position.

#### 7. Trade and other receivables, net

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

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Trade (current):</b>		
Invoices receivable (b)	43,756	45,586
Allowance for doubtful accounts (d)	(1,210)	(1,210)
	<u>42,546</u>	<u>44,376</u>
<b>Related parties, note 27:</b>	<u>39,346</u>	<u>3,491</u>
<b>Others receivable (current):</b>		
Value added tax credit	4,281	6,387
Advances to suppliers	3,957	1,857
Tax credit for works performed	1,786	1,469
Restricted funds	80	80
Others	3,104	4,630
	<u>13,208</u>	<u>14,423</u>
<b>Total</b>	<b><u>52,554</u></b>	<b><u>62,290</u></b>
<b>By nature:</b>		
Financial Asset	46,487	54,434
Non-Financial Asset	6,067	7,856
<b>Total</b>	<b><u>52,554</u></b>	<b><u>62,290</u></b>

(b) As of March 31, 2018 and December 31, 2017, trade receivables are interest free and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Company's management constantly evaluates market conditions, and uses the aging assessment of trade operations.

(c) The aging analysis of trade and other accounts receivable as of March 31, 2018 and December 31, 2017, is as follows:

	Total US\$(000)	Neither past due nor impaired US\$(000)	Past due but not impaired				
			< 30 days US\$(000)	30 - 60 days US\$(000)	61 - 90 days US\$(000)	91 - 120 days US\$(000)	> 120 days US\$(000)
As of 03.31.2018	42,546	38,899	3,608	39	-	-	-
As of 12.31.2017	44,376	40,783	3,593	-	-	-	-

(d) The movement of the allowance for doubtful accounts as of March 31, 2018 and December 31, 2017 is as follows:

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
Opening balance	1,210	1,210
Reversal of allowance for the year	-	-
<b>Ending balance</b>	<b><u>1,210</u></b>	<b><u>1,210</u></b>

In the opinion of management of the Company, the allowance for doubtful accounts as of March 31, 2018 and December 31, 2017 adequately covers the credit risk of these items at those dates.

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

### 8. Inventories, net

(a) This caption was made up as follows:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Finished product	11,686	18,612
Work in progress (b)	26,639	21,944
Materials and supplies	25,878	25,115
Mineral extracted	2,957	3,829
	<u>67,160</u>	<u>69,500</u>
Allowance for obsolescence	(3,591)	(3,591)
<b>Total</b>	<b><u>63,569</u></b>	<b><u>65,909</u></b>

(b) As of March 31, 2018 and December 31, 2017 the products in process was made up as follows:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
<b>Products in tin process (i)</b>		
Metal in process	2,240	2,393
Gravimetric tin concentrate	3,920	1,666
Dross	1,300	1,293
Bag House Powder	1,886	1,288
Tin concentrate floating	2,802	932
Metal MH iron	722	669
Others	679	516
	<u>13,549</u>	<u>8,757</u>
<b>Products in gold process (ii)</b>		
Leaching PAD – armed cell	3,087	4,035
Dore bar	3,349	3,282
Broken mineral	2,289	3,014
Adsorption tanks	1,136	1,654
Refined in process	2,178	830
Electrolytic cells	714	-
Others	337	372
	<u>13,090</u>	<u>13,187</u>
<b>Total</b>	<b><u>26,639</u></b>	<b><u>21,944</u></b>

The products in process (tin and gold) present the following characteristics:

#### *i Tin -*

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, until obtaining refined tin with 99.94 percent of purity and a maximum of 0.02 percent of lead, which is then molded into ingots and other presentations.

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

### ii Gold -

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

- (c) The allowance for obsolescence of materials and supplies had the following movement as of March 31, 2018 and December 31, 2017:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	3,591	2,784
Allowance for the year, note 21	-	807
<b>Ending balance</b>	<b>3,591</b>	<b>3,591</b>

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

## 9. Available-for-sale financial investments

- (a) The available-for-sale financial investments include the following:

	As of 03.31.2018				
	Cost	Unrealized results	Past due interest	Liquidation of the investment	Fair Value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Mutual funds with public quotation	125,000	6,622	-	-	131,622
Investment certificates in the state	2,935	-	-	(2,935)	-
<b>Total</b>	<b>127,935</b>	<b>6,622</b>	<b>-</b>	<b>(2,935)</b>	<b>131,622</b>

	As of 12.31.2017				
	Cost	Unrealized results	Past due interest	Liquidation of the investment	Fair Value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Mutual funds with public quotation	125,000	6,713	-	-	131,713
Investment certificates in the state	2,935	-	-	-	2,935
Certificates of deposit without public quotation	35,000	-	2,557	(37,557)	-
<b>Total</b>	<b>162,935</b>	<b>6,713</b>	<b>2,557</b>	<b>(37,557)</b>	<b>134,648</b>

The fair value of mutual funds is determined based on public price quotes in an active market. The fair value of the certificates of deposit without public quotation was estimated based on discounted

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

cash flows using available market rates for debt instruments with similar conditions, maturity and credit risk.

- (b) The movement of available for sale financial investments is presented below:

	<b>As of 03.31.2018</b>	<b>As of 12.31.2017</b>
	US\$(000)	US\$(000)
Opening balance	134,648	165,700
Sale of certificates of deposit	-	(37,557)
Liquidation of investment certificates in the state	(2,935)	-
New investments	-	2,935
Unrealized results	(91)	2,861
Interests earned by certificates of deposit, note 26	-	709
<b>Ending balance</b>	<b>131,622</b>	<b>134,648</b>
<b>Classification by expiration</b>		
Current portion	-	2,935
Non-current portion	131,622	131,713
<b>Ending balance</b>	<b>131,622</b>	<b>134,648</b>

**10. Financial assets at fair value through profit or loss**

- (a) As of March 31, 2018 and December 31, 2017, the Company maintains an investment in BBVA shares of Spain for US\$7,330,000 and US\$7,792,000, respectively. BBVA of Spain is an entity of recognized prestige in the international market, so it has a very low level of risk.

As of March 31, 2018 and December 31, 2017, the Company has an investment in shares of Rímac Seguros y Reaseguros for US\$26,933,000 and US\$29,325,000, 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.

- (b) As of March 31, 2018 and December 31, 2017, the fair value of the investments classified as a financial asset at fair value through profit or loss has been determined on the basis of its price on the Madrid and Lima Stock Exchange, respectively. Below, the following table shows the movement of the item:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018				
	Opening Balance US\$(000)	Transfer, note 11(g) US\$(000)	Change of the fair value US\$(000)	Dividends in shares US\$(000)	Fair Value US\$(000)
Rímac Seguro y Reaseguros	29,325	-	(462)	-	28,863
BBVA Spain	7,792	-	(2,392)	-	5,400
<b>Total</b>	<b>37,117</b>	<b>-</b>	<b>(2,854)</b>	<b>-</b>	<b>34,263</b>

	As of 12.31.2017				
	Opening Balance US\$(000)	Transfer, note 11(g) US\$(000)	Change of the fair value US\$(000)	Dividends in shares US\$(000)	Fair Value US\$(000)
Rímac Seguro y Reaseguros	-	21,070	8,255	-	29,325
BBVA Spain	6,072	-	1,582	138	7,792
<b>Total</b>	<b>6,072</b>	<b>21,070</b>	<b>9,837</b>	<b>138</b>	<b>37,117</b>

(c) As of March 31, 2018, the Company has not received dividends for this investment (US\$177,000 and US\$138,000 in dividends in cash and shares in 2017).

### 11. Investments in subsidiaries and associates

(a) This caption is made up as follows:

	Interest in equity		Investments amount	
	As of 03.31.2018 %	As of 12.31.2017 %	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Subsidiaries</b>				
Minera Latinoamericana S.A.C.	99.99	99.99	400,497	373,247
Cumbres Andinas S.A.C.	99.98	99.98	392,997	395,017
Cumbres del Sur S.A.C.	99.98	99.98	13,851	15,120
			<u>807,345</u>	<u>783,384</u>
<b>Associates</b>				
Explosivos S.A.	10.95	10.95	12,645	12,610
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,189	5,203
			<u>17,834</u>	<u>17,813</u>
<b>Total</b>			<b>825,179</b>	<b>801,197</b>

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

(b) The participation of the Company in the result of the investments in subsidiaries and associates as of March 31, 2018 and December 31, 2017, as follows:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Minera Latinoamericana S.A.C.	2,791	(6,800)
Cumbres Andinas S.A.C.	(2,013)	(131)
Cumbres del Sur S.A.C.	(1,319)	-
Minsur USA Inc.	-	(12)
Explosivos S.A.	31	82
Futura Consorcio Inmobiliario S.A.	12	2
Rímac Seguros y Reaseguros	-	(4,642)
Servicios Aeronáuticos Unidos S.A.C.	-	24
<b>Ending balance</b>	<b>(498)</b>	<b>(11,477)</b>

(c) Minera Latinoamericana S.A.C. - Minlat

The business purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity in Peru and abroad actually, this subsidiary has operations in Chile and Brazil.

Following is the summary of the economic activity of the subsidiaries:

(i). Mineração Taboca S.A.

Taboca is a mining company mainly engaged in the exploitation of the Pitinga mine, located in the Amazonas state, in the Republic of Brazil. From this mine, Taboca mainly obtains tin concentrated. Taboca also operates the Pirapora smelter, located in Sao Paulo.

During the year 2017, the Company has performed the analysis of the recoverability of the deferred income tax asset related to the tax credit obtained in Brazil for the acquisition of this subsidiary and determined that a portion of US\$23,345,000 of this credit will not be recoverable, therefore the Company made a decrease of this asset, which was recorded with charge in "Other reserves" in the separate statement of changes in Equity.

As a result of the impairment test made by the Management as of December 31, 2017 on the "Pitinga and Pirapora" project, an impairment loss of US\$122,752,000 has been recognized net of deferred income tax, this effect has been included as part of the "Loss from subsidiaries and associates, net" of the separate statement of profit or loss.

(ii). Minera Andes del Sur S.P.A.

Is a holding focused on executing mineral exploration projects in Chile.

(iii). Inversiones Cordillera del Sur Ltda. and subsidiaries

Its main objective is to maintain investments in Melon and subsidiaries. The purpose of Melón S.A. is the production, marketing and supply of cement, ready-mix concrete, mortar and aggregates pre-dosed to distributors of construction materials, to construction companies related to the real estate, civil works and mining sectors, and to companies of concrete in Chile.

The table below shows the movement of the investment in Minlat:

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Opening balance</b>	373,247	490,558
<b>Plus (minus):</b>		
Translation	23,377	7,385
Participation in net profit	2,791	(132,132)
Unrealized gains	882	2,991
Capital contributions	185	28,000
Decrease in tax credit of Mineracao Taboca	-	(23,345)
Other results	15	(210)
<b>Ending balance</b>	<b>400,497</b>	<b>373,247</b>

**(d) Cumbres Andinas S.A.C.**

The purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity directly or indirectly comprised in mining activities. Currently, the activity of this subsidiary is limited to the holding of shares in Marcobre S.A.C., mining entity that is in exploration and definition stage (the definition stage begins once the feasibility of the project is approved).

As of March 31, 2018 and December 31, 2017, the Company through its subsidiary Cumbres Andinas S.A. maintains a investment of 100% on Marcobre S.A.C.

On September 23, 2016, through its subsidiary Cumbres Andinas S.A.C., the Company acquired the non-controlling interest of Marcobre, which represented 30% of its capital stock belonging to KLS Limited, obtaining the control of 100% of the shares of Marcobre, owner of the Mina Justa project. Under this agreement, the consideration for the purchase of such shares amounted to US\$85,000,000, of which US\$60,000,000 was paid through a deposit in an escrow account which will be freely available to the seller once the tax impact of this transaction is determined, and the remaining balance will be paid in five annual installments of US\$5,000,000 each, from what happens first between: (a) 10 business days after the start of commercial production of the Mina Justa project, or (b) by September 30, 2023, the present value of this liability is US\$16,962,000.

The table below shows the movement in the investment in Cumbres Andinas S.A.C.:

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Opening balance</b>	395,017	252,141
<b>Plus (minus):</b>		
Participation in net loss	(2,013)	88,379
Capital contributions	-	69,550
Spin-off, note 1(c)	-	(15,215)
Corporate reorganization	-	102
Other results	(7)	60
<b>Ending balance</b>	<b>392,997</b>	<b>395,017</b>

**(e) Cumbres del Sur S.A.C.**

The purpose of this subsidiary is the exploration and exploitation of mining rights and, in general, any of the activities directly or indirectly included in the mining activity. Currently, the activities of this

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

subsidiary are limited to investment in mining companies in the exploration stage (Minera Sillustani S.A. and Compañía Minera Barbastro S.A.C.).

The table below shows the movement in the investment in Cumbres del Sur S.A.C.:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
<b>Opening balance</b>	15,120	-
<b>Plus (minus):</b>		
Spin-off, note 1(c)	-	15,215
Participation in net loss	(1,319)	(95)
Translation	50	-
<b>Ending balance</b>	<b>13,851</b>	<b>15,120</b>

(f) Minsur U.S.A. Inc.

It was an subsidiary domiciled in the USA, and it existed under the General Corporate Laws of the State of Delaware.

On March 2, 2017, the General Shareholders and Board Meeting. approved the liquidation of Minsur USA.

(g) The main information of associates is as follows:

*Explosivos S.A.*

It is a Peruvian corporation formed on February 25, 1954, and its main shareholder until October 31, 2017, it was Inversiones Breca S.A. who owned 80.80 percent of the shares representing social capital. In the month of September 2017, Inversiones Breca S.A. decided to make a corporate reorganization and its participation in the corporate capital of its companies subsidiaries, was divided into different business segments, creating holdings for control direct of said segments. As a consequence of said distribution, the Company is part of the industrial segment and is under the control of the Breca Soluciones de Blading S.A.C. from 1 November 2017. Based on this, the Company belongs to the Breca Business Group.

The table below shows the movement in the investment in Explosivos S.A.:

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
<b>Opening balance</b>	12,610	12,182
<b>Plus (minus):</b>		
Participation in net profit	31	410
Other results	3	18
Translation	1	-
<b>Ending balance</b>	<b>12,645</b>	<b>12,610</b>

*Futura Consorcio Inmobiliario S.A.*

The purpose of this associate located in Peru, comprise the real estate business mainly to its related companies.

The table below shows the movement in the investment in Futura Consorcio Inmobiliario S.A.C.:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Opening balance</b>	5,203	5,113
<b>Plus (minus):</b>		
Translation	(26)	181
Participation in net profit	12	(93)
Other results	-	2
<b>Ending balance</b>	<b>5,189</b>	<b>5,203</b>

### *Rímac Seguros y Reaseguros*

The main economic activity of this associate (located in Peru) includes the contracting and administration of insurance and reinsurance general operations and life insurances, as well as financial investments, real estate and related activities.

On September 26, 2017, the Company sold through stock exchange to Inversiones Breca S.A. the amount of 119,700,000 shares in Rímac, at their fair value, amounting to US\$61,139,000. The total profit generated by the sale of this investment was US\$21,254,000. As of March 31, 2018 and December 31, 2017, the Company owns 63,020,532 shares of Rímac.

After the sale of a portion of the shares of Rímac, the Company reassessed the classification of its investment in Rímac and decided to reclassify it to the caption "Financial assets at fair value through profit and loss".

The table below shows the movement in the investment in Rímac Seguros y Reaseguros:

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Opening balance</b>	-	61,015
<b>Plus (minus):</b>		
Sale of shares	-	(40,020)
Dividends	-	(2,389)
Participation in net profit	-	2,464
Transfer, note 10 (b)	-	(21,070)
<b>Ending balance</b>	<b>-</b>	<b>-</b>

### *Servicios Aeronauticos Unidos S.A.C. - SAUSAC*

The purpose of this associate located in Peru, is to provide air transportation services of passengers, cargo and mail, prospection, maintenance of airplanes and selling of supplies for the civil aviation.

On October 20, 2017, SAUSAC's Shareholders' Meeting approved the liquidation of SAUSAC. As a result, its equity was distributed among its investors, which was carried out based on the percentage of participation held by each investor at that date, based on that the Company received a total of US\$2,575,000, in cash.

The table below shows the movement in the investment in Servicios Aeronauticos Unidos S.A.C.:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Opening balance</b>	-	2,871
<b>Plus (minus):</b>		
Liquidation of investment	-	(2,575)
Participation in net loss	-	(286)
Other results	-	(10)
<b>Ending balance</b>	-	-

### 12. Property, plant and equipment, net

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

	<b>Opening balance 01.01.2018</b>	<b>Additions</b>	<b>Deductions and adjustment</b>	<b>Transfer</b>	<b>Ending balance 12.31.2018</b>
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost</b>					
Lands	16,078	8	-	-	16,086
Buildings and installations	368,665	-	(397)	21,724	389,992
Machinery and equipment	263,283	-	(969)	4,020	266,334
Furniture and fixtures and computer equipments	6,074	-	-	320	6,394
Communication and safety equipments	1,724	-	-	15	1,739
Vehicles	3,424	-	(12)	77	3,489
Work in progress (c)	46,142	15,910	-	(26,156)	35,896
Mine closure costs	62,616	1,497	-	-	64,113
	<u>768,006</u>	<u>17,415</u>	<u>(1,378)</u>	<u>-</u>	<u>784,043</u>
<b>Accumulated depreciation</b>					
Buildings and installations	221,614	6,145	(76)	-	227,683
Machinery and equipment	197,354	3,051	(599)	-	199,806
Furniture and fixtures and computer equipments	4,561	138	-	-	4,699
Communication and safety equipments	1,154	44	-	-	1,198
Vehicles	2,648	47	(11)	-	2,684
Mine closure costs	38,555	912	-	-	39,467
	<u>465,886</u>	<u>10,337</u>	<u>(686)</u>	<u>-</u>	<u>475,537</u>
<b>Net cost</b>	<u><b>302,120</b></u>				<u><b>308,506</b></u>

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	Opening balance 01.01.2017	Additions	Deductions and adjustment	Transfer	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost</b>					
Lands	14,643	1,435	-	-	16,078
Buildings and installations	349,627	-	(3,223)	22,261	368,665
Machinery and equipment	256,221	-	(3,812)	10,874	263,283
Furniture and fixtures and computer equipments	5,967	-	(5)	112	6,074
Communication and safety equipments	1,750	-	(55)	29	1,724
Vehicles	3,630	-	(210)	4	3,424
Work in progress (c)	18,282	61,269	(129)	(33,280)	46,142
Mine closure costs	52,945	9,671	-	-	62,616
	<u>703,065</u>	<u>72,375</u>	<u>(7,434)</u>	<u>-</u>	<u>768,006</u>
<b>Accumulated depreciation</b>					
Buildings and installations	198,654	24,187	(1,227)	-	221,614
Machinery and equipment	185,304	13,926	(1,876)	-	197,354
Furniture and fixtures and computer equipments	4,064	502	(5)	-	4,561
Communication and safety equipments	952	214	(12)	-	1,154
Vehicles	2,525	307	(184)	-	2,648
Mine closure costs	34,879	3,676	-	-	38,555
	<u>426,378</u>	<u>42,812</u>	<u>(3,304)</u>	<u>-</u>	<u>465,886</u>
<b>Net cost</b>	<u><b>276,687</b></u>				<u><b>302,120</b></u>

(b) The depreciation expense has been distributed in the separate statement of profit or loss as follows:

As of 03.31.2018	
US\$(000)	
Cost of sales, note 21	9,699
Administrative expenses, note 22	130
Selling expenses, note 23	3
Exploration and evaluation expenses, note 25	46
Other expenses, note 25	459
<b>Total</b>	<u><b>10,337</b></u>

(c) As of March 31, 2018 and December 31, 2017, the balance of the works in progress includes mainly the following items:

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Project B2 (level 4480 and 4475), note 1(b)	22,572	14,541
Leaching pad – new line barren	6,617	3,513
Cyndhi 3950 ventilation system	1,496	-
Tailings dam growth	257	18,684
Pre-concentration plant	-	2,272
Others	4,954	7,132
	<b>35,896</b>	<b>46,142</b>

(d) Corresponds mainly to the loss due to the fire of the assets of the ore sorting - San Rafael and to the withdrawal due to the sale of the assets of the interconnection system of the electric power transmission line (high voltage) Azángaro - San Rafael as of March 31, 2018 and December 31, 2017, respectively.

(e) Impairment assessment of mining units

According to the policies and procedures of the Company, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period, to determine if there are an indicators of impairment. If there are such indicators of impairment, a formal estimate of recoverable amount is performed.

As of March 31, 2018 and December 31, 2017, the Company concluded that there are no indicators of impairment in San Rafael (Tin) and Pucamarca units (mine of gold) and, therefore, did not make a formal estimation of the recoverable amount.

### 13. Intangible Assets, net

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

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	Opening balance 01.01.2018	Additions	Disposals	Ending balance 12.31.2018
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost -</b>				
Mine development costs	45,637	351	-	45,988
Mining concessions	4,231	-	-	4,231
Easement	3,343	-	-	3,343
Usufruct of lands	2,427	-	-	2,427
Gas connection rights	545	-	-	545
Licenses	373	80	-	453
	56,556	431	-	56,987

### Accumulated amortization -

Mine development costs	20,182	1,455	-	21,637
Mining concessions	2,336	74	-	2,410
Easement	1,817	76	-	1,893
Usufruct of lands	1,195	50	-	1,245
Gas connection rights	172	14	-	186
Licenses	54	74	-	128
	25,756	1,743	-	27,499

### Net cost

	<b>30,800</b>			<b>29,488</b>
--	---------------	--	--	---------------

	Opening balance 01.01.2017	Additions	Disposals	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost -</b>				
Mine development costs	36,681	8,955	1	45,637
Mining concessions	4,231	-	-	4,231
Easement	3,258	-	85	3,343
Usufruct of lands	1,707	807	(87)	2,427
Gas connection rights	545	-	-	545
Licenses	117	255	1	373
	46,539	10,017	-	56,556

### Accumulated amortization -

Mine development costs	14,734	5,447	1	20,182
Mining concessions	2,031	305	-	2,336
Easement	1,463	312	42	1,817
Usufruct of lands	1,036	201	(42)	1,195
Gas connection rights	118	55	(1)	172
Licenses	29	25	-	54
	19,411	6,345	-	25,756

### Net cost

	<b>27,128</b>			<b>30,800</b>
--	---------------	--	--	---------------

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

- (b) The amortization expense has been distributed in the separate income statement as follows:

	<b>As of 03.31.2018</b>
	US\$(000)
Cost of sales, note 21	1,701
Exploration and evaluation expenses, note 25	42
<b>Total</b>	<b>1,743</b>

- (c) The development costs as of March 31, 2018 and December 31, 2017, include mainly the development of large cavity fill and the feasibility study of project B2.

**14. Trade and other payables**

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

	<b>As of 03.31.2018</b>	<b>As of 12.31.2017</b>
	US\$(000)	US\$(000)
Trade payable	35,474	51,731
Related parties, note 27	5,277	7,035
Other accounts payable:		
Tax and contributions payable	13,762	10,789
Interest payable	4,040	11,158
Others	2,133	1,770
	19,935	23,717
Provision for employee benefits:		
Workers' profit sharing (c)	4,632	16,164
Remuneration payable	5,135	2,512
	9,767	18,676
<b>Total</b>	<b>70,453</b>	<b>101,159</b>

- (b) Trade accounts payable result from the purchases of material, supplies and spare parts and services mainly correspond to invoices payable to domestic suppliers. They are non-interest bearing and are normally settled on 30 to 60 days term.

Other payables non-interest bearing and have an average term of 3 months.

- (c) Workers' profit sharing -

In accordance with Peruvian legislation, the Company determines the workers' profit sharing at the rate of 8% of annual taxable income. The distribution is determined by 50% on the number of days each employee worked during the preceding year and 50% on proportion of their annual remuneration.

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

### 15. Interest-bearing loans and borrowings

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

Entity	Guarantee	Interest rate	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
Corporate bonds, net of issuance costs (b)	No guarantee	6.25%	441,019	440,833
Other financial obligations			3,912	2,785
<b>Total</b>			<b>444,931</b>	<b>443,618</b>

#### By maturity:

Current portion	3,912	2,785
Non-current portion	441,019	440,833
<b>Total</b>	<b>444,931</b>	<b>443,618</b>

- (b) The General Shareholders' Meeting held on January 30, 2014, agreed that the Company makes an international bond issue ("Senior Notes") through a private placement, issued under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also, agreed to list these securities in the Luxembourg Stock Exchange. On January 31, 2014, the Company issued bonds, with a nominal value of US\$450,000,000, with maturity on February 7, 2024 and with a coupon interest rate of 6.25%, obtaining net proceeds 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.

### 16. Provisions

- (a) This item comprises the following:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	Provision for mine closure (b) US\$(000)	Provision for bonuses to employees (c) US\$(000)	Provision for contin- gencies (d) US\$(000)	Total US\$(000)
<b>As of January 1, 2017</b>	51,353	4,465	1,060	56,878
Additions	6,953	6,638	1,159	14,750
Accretion	1,491	-	-	1,491
Change in estimates	2,718	-	-	2,718
Payments and advances	(33)	(4,092)	(14)	(4,139)
Reversals	-	(2,023)	(15)	(2,038)
<b>As of December 31, 2017</b>	<b>62,482</b>	<b>4,988</b>	<b>2,190</b>	<b>69,660</b>
Additions	-	2,730	-	2,730
Accretion	307	-	-	307
Change in estimates	1,498	-	-	1,498
Payments and advances	-	(5,349)	(348)	(5,697)
Reversals	-	(184)	(407)	(591)
<b>As of March 31, 2018</b>	<b>64,287</b>	<b>2,185</b>	<b>1,435</b>	<b>67,907</b>
<b>By maturity:</b>				
Current portion	3,464	4,988	2,190	10,642
Non-current portion	59,018	-	-	59,018
<b>As of December 31, 2017</b>	<b>62,482</b>	<b>4,988</b>	<b>2,190</b>	<b>69,660</b>
<b>By maturity:</b>				
Current portion	3,468	2,185	1,435	7,088
Non-current portion	60,819	-	-	60,819
<b>As of March 31, 2018</b>	<b>64,287</b>	<b>2,185</b>	<b>1,435</b>	<b>67,907</b>

(b) Provision for mine closure -

The provision for closure of mining units reflects the present value of the closing costs expected to be incurred between 2018 and 2042, in compliance with government regulations, see note 28(b). The estimation of closing costs of mining units are based on studies prepared by independent consultants, which comply with environmental regulations. The provision for closure of mining units relates mainly to activities to be performed for the restoration of the mining units and areas affected by operating activities. The main work to be performed is for earthworks, revegetation work and dismantling of the plants. The closing budgets are regularly reviewed to take into account any significant change in the studies. However, the closing costs of mining units will depend on market prices of closure works required to reflect future economic conditions. Also, the time of the disbursements carried out depends on the life of the mine, which depends of future prices of metals.

As of March 31, 2018 and December 31, 2017, the nominal value of the provision for mine closure is US\$75,400,000, which has been discounted using risk free annual interest rates for the provision of each mining unit according to the useful of the mines, which are between 0.21% and 2.73%, resulting in an updated liability of US\$64,287,000 (US\$62,482,000 as of December 31, 2017). The Company believes that this liability is sufficient to comply with the laws of environmental protection approved by the Ministry of Energy and Mines.

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

- (c) Provision bonuses to employees -  
As of March 31, 2018 this item corresponds to a performance bonus to workers which are paid in the first quarter of 2019.
- (d) Provision for contingencies -  
This provision includes the estimation for provision for obligations by environmental contingencies of US\$1,176,000 (US\$1,925,000 as of December 31, 2017), see note 29 (c) and for laboral contingencies of US\$259,000 (US\$265,000 as of December 31, 2017), see note 29 (d).

#### 17. Income Tax

- (a) The following comprise the Current Tax Assets/(Liability):

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Asset/(Liability) for Tax on Earnings</b>		
Current Income Tax	(15,520)	(54,523)
Current Income Tax Prepayment	9,832	50,169
<b>Total</b>	<b>(5,688)</b>	<b>(4,354)</b>

- (b) The composition and movements of this caption is presented below:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Deferred income tax assets</b>		
Provision for mine closure	18,439	17,907
Differences in accounting and tax basis of fixed assets	18,302	17,045
Other provisions	2,074	1,989
Mining royalty and special mining tax	1,238	1,301
Tax benefit for tax overpayments from previous years	1,191	1,186
Vacations payables	714	679
	<u>42,264</u>	<u>41,239</u>
<b>Deferred income tax liabilities</b>		
Asset retirement costs	(7,270)	(7,098)
Exchange difference of non-monetary items	(4,398)	(5,202)
Development costs	(3,852)	(4,334)
Available for sale investments	(1,953)	(1,980)
Financial asset at fair value with changes in results	-	(731)
Differences in accounting and tax bases of inventories	(577)	(532)
Embedded derivatives	76	(147)
	<u>(17,974)</u>	<u>(20,024)</u>
<b>Deferred income tax asset, net</b>	<u><b>24,290</b></u>	<u><b>21,215</b></u>
<b>Mining royalty (MR) and Special mining tax (SMT):</b>		
<b>Deferred assets</b>		
Difference in accounting and tax basis of fixed assets	4,276	4,112
Exploration expenses	1,389	1,315
	<u>5,665</u>	<u>5,427</u>
<b>Deferred liabilities</b>		
Exchange difference for non-monetary items	(1,585)	(1,767)
Differences in accounting and tax basis of inventories	(56)	(39)
Embedded derivative	18	(35)
	<u>(1,623)</u>	<u>(1,841)</u>
<b>Deferred tax asset (liability) of MR and SMT, net</b>	<u><b>4,042</b></u>	<u><b>3,586</b></u>
<b>Total deferred income tax asset, net</b>	<u><b>28,332</b></u>	<u><b>24,801</b></u>

- (c) The reconciliation of the income tax expense (income) and the profit (loss) before taxes times the tax rate of March 31, 2018 and 2017, is presented below:

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 03.31.2017 US\$(000)
<b>Profit (loss) before income tax</b>	<b>38,365</b>	<b>26,286</b>
At statutory income tax rate	(11,318)	(7,755)
Participation in results of subsidiaries and associates	(147)	(3,386)
Effect of permanent differences, net	(2,314)	(1,544)
Tax credit	6	(526)
Effect of translation	209	3,446
Effect of mining royalty	898	1,499
<b>Income tax expense</b>	<b>(12,666)</b>	<b>(8,266)</b>
<b>Mining royalties and special mining tax</b>	<b>(2,586)</b>	<b>(4,407)</b>
<b>Total</b>	<b>(15,252)</b>	<b>(12,673)</b>

(d) The Income tax expense shown in the separate profit and loss statement is composed as follows:

	As of 03.31.2018 US\$(000)	As of 03.31.2017 US\$(000)
<b>Income tax</b>		
Current	(15,715)	(11,701)
Deferred	3,049	3,435
	<b>(12,666)</b>	<b>(8,266)</b>
<b>Mining royalties and special mining tax</b>		
Current	(3,042)	(5,080)
Deferred	456	673
	<b>(2,586)</b>	<b>(4,407)</b>
<b>Total of income tax</b>	<b>(15,252)</b>	<b>(12,673)</b>

Deferred income tax on investments in associates -

The Company does not record the deferred income tax asset related to the investments in its associates: Explosivos S.A. and Futura Consorcio Inmobiliario S.A. because: (i) Inversiones Breca and Subsidiaries jointly hold control of these companies which operate as part of the economic group and (ii) that the Company has the intention and capacity to keep these investments in the long term. In this sense, Management considers that the temporary difference will be reversed through dividends to be received in the future, which of In accordance with current tax regulations, they are not subject to income tax. There is no legal or contractual obligation for Management to be forced to sell its investments in associates.

### 18. Net Equity

(a) Capital Stock -

As of March 31, 2018 and December 31, 2017 the authorized, subscribed and paid in capital stock in accordance with the Company's by-laws and amendments, comprises 19,220,015 common shares with a nominal value of S/.100.00 each one.

(b) Investment Shares-

As of March 31, 2018 and December 31, 2017, this caption comprises 960,999,163 investment shares, with a nominal value of S/.1.00 each one.

## Minsur S.A.

### Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

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 in whichever of the cases foresaw by law 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 Stock Exchange of Lima (BVL).

The quotation of these shares as of March 31, 2018 was S/1.73 per share (S/1.80 per share as of December 31, 2017 with a frequency of negotiation of 90 percent).

(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 remaining the obligation to replenish it.

As of March 31, 2018 and December 31, 2017, the Company has not increased its legal reserve because the legal reserve reached the limit mentioned above.

(d) Reinvested earning -

As of March 31, 2018 and December 31, 2017, 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 2017:

	Date	Dividends declared and paid US\$(000)	Dividends per common share US\$(000)	Dividends per investment share US\$(000)
<b>Dividends 2017</b>				
Shareholders' meeting	September 22	61,138	1.50	0.033

(f) Other reserves -

During 2017, the Group analyzed the recoverability of the deferred income tax asset related to the tax credit obtained in Brazil for the acquisition of the subsidiary Mineração Taboca S.A. and determined that a portion amounting to US\$23,345,000 that credit will not be recoverable, so it decreased it. On the other hand, in accordance with the General Corporation Law, the Group recognized in this item dividends pending collection 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 Company.

As of March 31, 2018, the resulting exchange difference was a gain net of US\$23,402,000 (which includes a translation loss of US\$636,000 from Brazilian subsidiary, a translation gain of US\$24,007,000 from the associate Inversiones Cordillera del Sur Ltda. of Chile, and a translation gain of US\$31,000 for the other subsidiaries and associates). During 2017, the resulting translation result was a gain net of US\$7,566,000 (which includes a translation loss of US\$3,362,000 from the Brazilian subsidiary, a translation gain of US\$10,718,000 from the associate Inversiones Cordillera

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

del Sur Ltda. of Chile and a translation gain of US\$210,000 for the other subsidiaries and associates). These exchange differences are included in the separated statement of comprehensive income.

(h) Unrealized results -

Corresponds to unrealized loss from financial investments available for sale for US\$63,000 and the unrealized gain from investments in subsidiaries and associates for US\$882,000.

#### **19. Tax Situation**

(a) Tributary framework of Peru.

The Company is subject to the Peruvian tax system.

Until as of December 31, 2016, through Law N°30296 enacted as December 31, 2014, the current income tax regime established the following:

- A gradual reduction of the corporate income tax rate from 30% to 28% in the years 2015 and 2016; to 27% in the years 2017 and 2018; and to 26% in 2019 and future.
- A progressive increase in the rate applicable to the dividend tax from 4.1% to 6.8% in 2015 and 2016; to 8.0% in the years 2017 and 2018; and to 9.3% in 2019 and futures. These rates would apply to the distribution of profits to be made available in cash or in kind whichever occurs first, from 1 January 2015.
- Accumulated results or other items capable of generating dividends which were obtained up to 31 December 2014 and which form part of the dividends or any other form of distribution of profits, would be subject to a rate applicable to the dividend tax of 4.1%.

By Legislative Decree No. 1261 published on December 10, 2016, the 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% is set.
- A tax of 5% of income tax is established on 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% with respect to the results obtained until December 31, 2014; 6.8% on results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017.

(b) Years open for tax review -

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 2013 to 2017 and value added tax ("IGV" for its acronym in Spanish) for the years 2013 to 2017 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the years 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 financial statements as of March 31, 2018 and December 31, 2017.

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

(c) Transfer prices -

For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Tributary administration is able to ask for the Company's information. Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of March 31, 2018 and December 31, 2017.

### 20. Net Sales

This item comprises the following:

	As of 03.31.2018	As of 03.31.2017
	US\$(000)	US\$(000)
Tin	91,163	90,813
Gold	33,723	30,148
	<hr/> 124,886	<hr/> 120,961
Embedded derivative for sale of tin	(756)	437
	<hr/> <b>124,130</b>	<hr/> <b>121,398</b>

Sales concentration of tin -

As of March 31, 2018 there was no significant sales concentration. The three most important clients for sale of tin represented 42% (36% in 2017).

Sales concentration of gold -

As of March 31, 2018 the company sells gold to two customers (three customers in 2017).

The following table presents the net sales of tin and gold by geographical region:

	As of 03.31.2018	As of 03.31.2017
	US\$(000)	US\$(000)
<b>Tin:</b>		
America	41,146	45,771
Europe	39,629	38,870
Asia	9,725	4,265
Peru	663	1,907
<b>Gold:</b>		
United States of America	33,723	14,002
Europe	-	16,146
	<hr/> 124,886	<hr/> 120,961
Embedded derivative for sale of tin	(756)	437
	<hr/> <b>124,130</b>	<hr/> <b>121,398</b>

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

**21. Cost of Sales**

The composition of this caption is made up as follows:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
Opening balance of finished product inventory, note 8	18,612	16,625
Opening balance of product in process inventory, note 8	21,944	22,691
Opening balance of mineral extracted, note 8	3,829	449
	<u>44,385</u>	<u>39,765</u>
Consumption of raw material and miscellaneous supplies	10,934	8,504
Services rendered by third parties	9,745	12,716
Depreciation, note 12(b)	9,699	9,797
Purchase of mining services from AESA S.A.	6,173	8,887
Employee benefits	5,282	2,149
Wages and salaries	4,417	4,026
Electricity	2,577	3,550
Other personnel expense	2,497	5,124
Purchase of explosives from Exsa S.A.	1,757	1,753
Amortization, note 13(b)	1,701	1,147
Other manufacturing expenses	924	809
Production cost	<u>55,706</u>	<u>58,462</u>
Final balance of finished product inventory, note 8	(11,686)	(7,955)
Final balance of work in process inventory, note 8	(26,639)	(25,481)
Final balance of mineral extracted, note 8	(2,957)	(3,884)
	<u>(41,282)</u>	<u>(37,320)</u>
<b>Cost of sales</b>	<b><u>58,809</u></b>	<b><u>60,907</u></b>

**22. Administrative expenses**

The composition of this caption is made up as follows:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
Wages	2,220	2,003
Employee benefits	2,140	1,706
Others personnel expense	1,898	1,607
Other third-party services	1,115	1,309
Other management charges and provisions	604	463
Advice and consulting	372	524
Depreciation, note 12(b)	130	134
<b>Total</b>	<b><u>8,479</u></b>	<b><u>7,746</u></b>

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

**23. Selling expenses**

The composition of this caption is made up as follows:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
Contractual royalties	253	-
Servicio de transporte de minerales	230	238
Management charges and provisions	216	166
Third-party services	101	88
Warehouse expenses	99	121
Wages	80	67
Employee benefits	78	60
Security and vigilance	58	78
Other personnel expense	43	37
Sales commissions	25	28
Depreciation, note 12(b)	3	2
<b>Total</b>	<b>1,186</b>	<b>885</b>

**24. Other Operating Incomes**

The composition of this caption is made up as follows:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
Revenue on sale of supplies	876	764
Income for advisory services	491	341
Recovery of provision for environmental liabilities	402	-
Income by inventory difference	29	15
Lease of equipment	17	24
Revenue from sale of property, plant and equipment	12	-
Lease of property	10	14
Others	442	765
<b>Total</b>	<b>2,279</b>	<b>1,923</b>

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

**25. Other Operating Expenses**

This item comprises the following:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
<b>Exploration expenses and evaluation expenses</b>		
Third-party services	5,310	4,320
Purchase of mining services from AESA S.A.	202	400
Employee benefits	228	145
Wages	204	210
Other personnel expense	201	158
Management charges and provisions	189	127
Depreciation, note 12(b)	46	61
Amortization, note 13(b)	42	29
	<b>6,422</b>	<b>5,450</b>
<b>Other operating expenses</b>		
Cost of sale of supplies	833	747
Depreciation, note 12(b)	459	34
Donations	382	422
Net cost of property, plant and equipment with drawn	371	631
Taxes assumed for financial cost of debt	347	346
Retirement fund for mining workers	263	198
Contributions to regulators	254	318
Adjustments for physical inventory of supplies	-	9
Provision for administrative and laboral contingencies	-	1,262
Others	389	233
	<b>3,298</b>	<b>4,200</b>
<b>Total other expenses, net</b>	<b>9,720</b>	<b>9,650</b>

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

**26. Financial Income and Costs**

This item comprises the following:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
<b>Finance income:</b>		
Interest on time deposits	1,055	744
Interest overnight deposits	177	-
Interest on accounts receivable	145	91
Interest on current accounts	99	52
Interest on certificates of deposit	-	233
Others	-	80
<b>Total</b>	<b>1,476</b>	<b>1,200</b>
<b>Finance costs:</b>		
Interest on corporate bond	(6,944)	(6,931)
Amortization of issuance costs of corporate bond	(187)	(175)
Others	(3)	(1)
<b>Interest expenses</b>	<b>(7,134)</b>	<b>(7,107)</b>
Accretion	(307)	(368)
<b>Total</b>	<b>(7,441)</b>	<b>(7,475)</b>

**27. Related parties transactions**

## (a) Receivables and Payables -

The balances of the receivable and payable with related parties as of March 31, 2018 and December 31, 2017 follow:

	<b>As of 03.31.2018</b>	<b>As of 03.31.2017</b>
	US\$(000)	US\$(000)
<b>Receivable (current):</b>		
Marcobre S.A.C.	30,519	184
Compañía Minera Barbastro S.A.C.	5,023	14
Compañía Minera Raura S.A.	2,247	1,968
Rímac Seguros y Reaseguros	1,347	1,002
Administración de Empresas S.A.	86	246
Clinica Internacional S.A.	21	11
Exsa S.A.	3	3
Mineração Taboca S.A.	-	21
Minera Latinoamericana S.A.C.	-	14
Cumbres Andinas S.A.	-	14
Minera Sillustani S.A.C.	-	14
<b>Total</b>	<b>39,246</b>	<b>3,491</b>

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

	As of 03.31.2018 US\$(000)	As of 03.31.2017 US\$(000)
<b>Payables (current):</b>		
Administración de Empresas S.A.	3,663	5,339
Exsa S.A.	1,006	855
Inversiones San Borja S.A	249	242
Clínica Internacional S.A.	223	326
Inversiones Nacionales de Turismo S.A.	33	33
Compañía Minera Raura S.A.	32	32
Protección Personal S.A.C.	25	24
Centria Servicios Administrativos S.A.	24	24
Rímac Seguros y Reaseguros	19	2
Corporación Peruana de Productos Químicos	2	-
Bodegas Viñas de Oro	1	1
Rímac S.A. Entidad Prestadora de Salud	-	129
Estratégica S.A.C.	-	28
<b>Total</b>	<b>5,277</b>	<b>7,035</b>

The receivables from subsidiaries Marcobre S.A.C. and Compañía Minera Barbastro S.A.C. correspond to loans for working capital granted during 2018. These loans accrued, with effective interest rates of 3.25%, have 90 days maturity from the date of subscription and have no specific guarantees.

There have been no guarantees provided or received for any related party receivables or payables. As of March 31, 2018, the Company has not recorded any impairment of receivables relating 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.

### 28. 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 Company have an approved EIA for their activities.

(b) Law on Mine Closure -

On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", whose 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.

In compliance with this obligation, the Company submitted to the Ministry of Energy and Mines the update of the Mine Closure Plan of the Pucamarca Unit, which was approved by Directorial

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

Resolution No. 269-2017 / MEM-DGAAM on September 22, 2017, the Company presented its Mine Closure Plan for the San Rafael Unit, which was approved by Directorial Resolution No.369-2016-MEM / DGAAM on December 28, 2016. Finally, the Company presented its Closing Plan for the Pisco Unit, which was approved by Directorial Resolution No. 215-2013-MEM-AAM on June 21, 2013.

As of March 31, 2018, the provision for mine closure units San Rafael, Pucamarca and Pisco amounts to US\$64,287,000 (US\$62,482,000 as of December 31, 2017). See to the movement of this provision in note 16(a).

#### **29. Contingencies**

- (a) As a result of the tax reviews made for the years from 2000 to 2010, the Company has received tax assessments by omissions to the Income Tax and Value Added Tax by S/101,046,000 (equivalent to US\$31,479,000). In all these cases, the Company has appealed since it considers that those tax assessments 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 favorably resolved in the interests of the Company.

On the other hand, in the past the Company 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 March 31, 2018, the accumulated payments under protest amounted to US\$18,425,000 (US\$18,517,000 as of December 31, 2017). The Company will recognize these contingencies when its collection will be virtually certain.

During 2017, the Company recovered a total of US\$7,477,000 from the payments under protest related to the claims before the SUNAT for processes related to the income tax of the years 2000 and 2001 and for processes related to the General Sales Tax of the year 2005 when obtaining a favorable result before the Tax Court. The total amount recovered includes interest and fees of US\$3,425,000.

- (b) In the appeal presented by the Company to the tax authorities for the fiscal year 2002, the Company included a claim for income tax payments made in excess in such year for S/104,708,000 (equivalent to US\$32,427,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,874,142 shares of Union de Cervcerias Backus y Johnston S.A.A., occurred in July 2002. The Company will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Company.

- (c) Sanctioning administrative processes -

During 2017, and prior years, the Company has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" for its acronym in Spanish) and OSINERGMIN, 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 March 31, 2018 and December 31, 2017 the administrative sanctions from OSINERGMIN, ANA and OEFA amounted to 898 tax units - TU equivalent to US\$1,176,000 as of March 31, 2018 (1,643 tax units - TU equivalent to US\$1,925,000 as of December 31, 2017). In relation to these notifications, the Company has appealed these sanctions before the judicial power, being currently pending of resolution.

Management and its legal advisors have analyzed these processes and they have estimated a probable contingency of US\$1,176,000 (US\$1,925,000 as of December 31, 2017), which is presented under "Provisions" in the separate statement of financial position note 16(d).

## **Minsur S.A.**

### **Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

(d) Labor processes -

The Company has several labor claims mainly compensation for damages for occupational disease. In this regard, the Management and its legal advisors have been following the various processes that affect the Company. As a result of this analysis as of March 31, 2018 and December 31, 2017, the Company maintains provisions for labor contingencies, estimated sufficient to cover the risks affecting the business for this item. As of December 31, 2018, these provisions amount to approximately US\$259,000 (US\$265,000 at December 31, 2017) and are presented in the "Provisions" caption of the separate statement of financial position note 16(d).

The Company also faces other labor claims amounting to US\$206,000 by the Management and its legal counsel believe that it is only possible, not probable that such legal actions prosper, so that no provision was recorded for these labor demands of possible category as of March 31, 2018.

As of March 31, 2018, in the opinion of management and its external legal counsel, the resolution of environmental and labor contingencies would not result in additional liabilities to those already recorded.

### **30. Segment information**

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

- Production and sale of tin produced in Peru.
- Production and sale of gold produced in Peru.

No operating segment has been aggregated to form the above reportable operating segments.

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

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

As of March 31, 2018	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Other non-allocable US\$(000)	Total US\$(000)
<b>Results:</b>				
Net sales from third parties	91,163	33,723	-	124,886
Embedded derivative for sale of tin	(756)	-	-	(756)
Cost of sales	(43,365)	(15,444)	-	(58,809)
Gross margin	47,042	18,279	-	65,321
Administrative expenses	(6,252)	(2,227)	-	(8,479)
Selling expenses	(902)	(284)	-	(1,186)
Exploration and evaluation expenses	(5,935)	(487)	-	(6,422)
Other expenses, net	(752)	(267)	-	(1,019)
Operating income	33,201	15,014	-	48,215
Profit before income tax	-	-	38,365	38,365
Income tax	-	-	(15,252)	(15,252)
Profit for the year	-	-	23,113	23,113

### Other disclosures:

Additions of fixed assets and intangibles	13,588	4,204	54	17,846
Depreciation and amortization (included in costs and expenses)	(5,148)	(7,459)	(678)	(13,285)
Operating activities	-	-	10,350	10,350
Investing activities	-	-	(8,557)	(8,557)

As of March 31, 2017	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Other non-allocable US\$(000)	Total US\$(000)
<b>Results:</b>				
Net sales from third parties	90,813	30,148	-	120,961
Embedded derivative for sale of tin	437	-	-	437
Cost of sales	(44,501)	(16,406)	-	(60,907)
Gross margin	46,749	13,742	-	60,491
Administrative expenses	(5,660)	(2,086)	-	(7,746)
Selling expenses	(838)	(47)	-	(885)
Exploration and evaluation expenses	(5,023)	(425)	-	(5,448)
Other expenses, net	(1,665)	(614)	-	(2,279)
Operating income	33,563	10,570	-	44,133
Profit before income tax	-	-	26,286	26,286
Income tax	-	-	(12,673)	(12,673)
Profit for the year	-	-	13,613	13,613

### Other disclosures:

Additions of fixed assets and intangibles	8,106	2,142	35	10,283
Depreciation and amortization (included in costs and expenses)	(4,114)	(6,829)	(261)	(11,204)
Operating activities	-	-	16,448	16,448
Investing activities	-	-	(176,281)	(176,281)

# Minsur S.A.

## Notes to the separate interim financial statements (unaudited)

As of March 31, 2018

### 31. Financial assets and financial liabilities

	As of 03.31.2018 US\$(000)	As of 12.31.2017 US\$(000)
<b>Financial assets at fair value</b>		
Financial assets at fair value through profit or loss, note 10	34,263	37,117
	<u>34,263</u>	<u>37,117</u>
<b>Available-for-sale financial investments:</b>		
Public quotation traded mutual funds	131,622	131,713
Investment certificates in the state	-	2,935
<b>Total available-for-sale investments, note 9</b>	<u>131,622</u>	<u>134,648</u>
<b>Derivative financial assets</b>		
Implicit derivative for tin sales, note 32	-	497
<b>Total financial derivative assets</b>	<u>-</u>	<u>497</u>
<b>Total financial assets</b>	<u><b>165,885</b></u>	<u><b>172,262</b></u>
<b>Financial liabilities</b>		
Embedded derivatives for sale of tin, note 32	(259)	-
<b>Total financial derivative liabilities</b>	<u><b>(259)</b></u>	<u><b>-</b></u>

Financial assets -

Financial instruments at fair value through profit or loss and the available for sale financial investments reflect fair value of the assets.

Except financial instruments at fair value through profit or loss and available-for-sale financial investments, all financial assets which included cash and cash equivalents and trade and other receivables are classified in the category of loans and receivables. These loans and receivables are held to maturity and generate revenue for fixed or variable interest. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities -

All financial liabilities of the Company include trade and other payables and interest-bearing loans and borrowings are classified as loans and borrowings and are carried at amortized cost.

### 32. Embedded derivatives for sale of tin

The sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral (forward).

Embedded derivative as of March 31, 2018 and December 31, 2017:

**Minsur S.A.****Notes to the separate interim financial statements (unaudited)**

As of March 31, 2018

Metal	Quantity	Quotations period	Valuations		Fair
			Provisional	Futures	Value
			US\$(000)	US\$(000)	US\$(000)
As of March 31, 2018					
Sale of mineral					
Tin	840 TM	March 2018	18,268	18,009	(259)
Total net liability					(259)
As of December 31, 2017					
Sale of mineral					
Tin	832 TM	Jan / Feb 2018	15,324	15,821	497
Total net asset					497