

Minsur S.A.

Notes to the separate interim financial statements (unaudited)

As of June 30, 2018 and 2017

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 Breca Minería S.A.C. domiciled in Peru, which holds 99.99% of the Company's common shares, while Breca Banca S.A.C. has 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).

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). The General Meeting of Shareholders of the company of April 23, 2018 approved the sale of 40 percent of its shares in Cumbres Andinas S.A.C. to Alxar International SPA, this transaction was completed on May 31, 2018 (see note 10 d).

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

As of June 30, 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

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in the control of Marcobre considering that the entities that have participated in the corporate reorganization belong to the same economic group.

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 Barbastro 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 given to the shareholders of Cumbres Andinas in the same proportions that they 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 force as of June 30, 2018.

In accordance with International Financial Reporting Standards (IFRS) in force as of June 30, 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 trade receivables, the financial assets at fair value through profit or loss and other comprehensive income, 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 Changes in accounting policies

Regarding the new regulations issued, IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) and IFRS 9 "Financial Instruments" (IFRS 9) that have entered into force for the annual period started on January 1, 2018. In addition, IFRS 16 Leases will be effective from 1 January 2019, but the Company has decided to adopt IFRS 16 in advance in 2018, applying the retrospective approach. The Company has incorporated the impacts that determined during the adoption of these new standards in its financial statements as of June 2018.

The description of main changes and estimated impacts are explained in the following sections:

2.2.1. IFRS 15 "Revenue from Contracts with Customers"

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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 transition to IFRS 15, the Company used the full retrospective approach and only had modified 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 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 control transfer 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 force 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 June 30, 2018 and 2017, the items of sales revenue and sales expenses has decreased by US\$417,000 and US\$471,000, respectively.

2.2.2. 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.

Retrospective application is required and it is the Company's intention to present 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 amortised cost,
- at fair value through 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 eliminates the existing categories of IAS 39 from held-to-maturity, loans and receivables and available-for-sale.

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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.
3. The Company holds investments in equity instruments in BBVA Spain and 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.

- Impairment

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 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.

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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 separate 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.

2.2.3. IFRS 16 "Leases"

IFRS 16 "Leases" (hereinafter IFRS 16), was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. IFRS 16 introduces a single lessee accounting model whereby it requires the recognition of assets and liabilities for all leases with a term longer 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 similar manner to other non-financial assets (such as property, plant and equipment) and lease liabilities in a similar manner to other financial liabilities.

The Company has decided to adopt IFRS 16 in advance in 2018, applying the retrospective approach. As a consequence, the Company has changed its accounting policy to lease contracts in according with note 2.3 (h).

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 applications of these new standards has generated changes in accounting policies and adjustments in comparative financial information that is described in the following section:

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Adjustments to items from statement of financial position as of January 1, 2017

Interim condensed separated statements of financial position	Opening balance				Opening balance
	(audited)	IFRS 9	IFRS 15	IFRS 16	(restated)
Assets	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Current assets					
Cash and cash equivalents	341,139	-	-	-	341,139
Trade receivables and others	74,177	(171)	-	-	74,006
Derivative financial instruments	394	-	-	-	394
Inventory, net	60,094	-	-	-	60,094
Available for Sale Investments	36,890	(36,890)	-	-	-
Financial assets at fair value with changes in other comprehensive income	-	42,962	-	-	42,962
Financial assets to fair value with changes in results	6,072	(6,072)	-	-	-
Prepayments	1,062	-	-	-	1,062
Total current assets	519,828	(171)	-	-	519,657
Non-current assets					
Available for Sale Investments	128,810	(128,810)	-	-	-
Financial assets to fair value with changes in results	-	128,810	-	-	128,810
Investments in subsidiaries and associates	824,172	(9)	-	(185)	823,978
Property, plant and equipment, net	276,687	-	-	-	276,687
Intangible assets, net	27,128	-	-	-	27,128
Rights of use	-	-	-	8,877	8,877
Deferred income tax asset, net	19,270	37	-	22	19,329
Total non-current assets	1,276,067	28	-	8,714	1,284,809
Total assets	1,795,895	(143)	-	8,714	1,804,466
Liabilities					
Trade payables and others	92,166	-	-	-	92,166
Lease liabilities	-	-	-	2,800	2,800
Derivative financial instruments	1,632	-	-	-	1,632
Liability for income tax	9,319	-	-	-	9,319
Provisions	8,472	-	-	-	8,472
Other derivatives	47	(47)	-	-	-

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Total current liabilities	111,636	(47)	-	2,800	114,389
Financial obligations	440,106	-	-	-	440,106
Lease liabilities	-	-	-	6,152	6,152
Provisions	48,406	-	-	-	48,406
Total current liabilities	488,512	-	-	6,152	494,664
Total liabilities	600,148	(47)	-	8,952	609,053
Equity					
Capital	601,269	-	-	-	601,269
Investment shares	300,634	-	-	-	300,634
Legal reserve	120,261	-	-	-	120,261
Facultative reserves	424	-	-	-	424
Reinvested earning	39,985	-	-	-	39,985
Result accumulated by translation	-195,517	-	-	-	-195,517
Other reserves	-9,850	-	-	-	-9,850
Unrealized results	5,640	(6,957)	-	-	-1,317
Results accumulated	332,901	6,675	-	(52)	339,524
Total equity	1,195,747	(282)	-	-52	1,195,413
Total equity and liabilities	1,795,895	(329)	-	8,900	1,804,466

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Adjustments to items from statement of financial position as of December 31, 2017

Estados de situación financiera	Balance at 31 December (audited) US\$ (000)	IFRS 9 US\$ (000)	IFRS 15 US\$ (000)	IFRS 16 US\$ (000)	Balance at 31 December (restated) US\$ (000)
Activos					
Activos corrientes					
Cash and cash equivalents	363,326	-	-	-	363,326
Trade receivables and others	62,290	393	-	-	62,683
Inventory, net	65,909	-	-	-	65,909
Derivative financial instruments	498	(498)	-	-	-
Available for sale investments	2,935	(2,935)	-	-	-
Financial assets at fair value with changes in other comprehensive income	-	40,052	-	-	40,052
Financial assets to fair value with changes in results	37,117	(37,117)	-	-	-
Prepayments	900	-	-	-	900
Total current assets	532,975	(105)	-	-	532,870
Non-current assets					
Available for Sale Investments	131,713	(131,713)	-	-	-
Financial assets to fair value with changes in results	-	131,713	-	-	131,713
Investments in subsidiaries and associates	801,197	(6)	-	(224)	800,967
Property, plant and equipment, net	302,120	-	-	-	302,120
Intangible assets, net	30,801	-	-	-	30,801
Rights of use	-	-	-	6,494	6,494
Deferred income asset, net	24,801	31	-	111	24,943
Total non-current assets	1,290,631	25	-	6,381	1,297,037
Total assets	1,823,606	(80)	-	6,381	1,829,908
Liabilities					
Financial obligations	2,785	-	-	-	2,785
Trade and other payables	101,159	-	-	-	101,159
Lease liabilities	-	-	-	1,764	1,764
Liability for income tax	4,354	-	-	-	4,354
Provisions	10,642	-	-	-	10,642
Total current liabilities	118,940	-	-	1,764	120,704

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Financial obligations	440,833	-	-	-	440,833
Lease liabilities	-	-	-	5,106	5,106
Provisions	59,019	-	-	-	59,019
Non current liabilities	499,851	-	-	5,106	504,957
Total liabilities	618,791	-	-	6,870	625,661
Patrimonio					
Capital	601,269	-	-	-	601,269
Investment shares	300,634	-	-	-	300,634
Legal reserve	120,812	-	-	-	120,812
Facultative reserves	424	-	-	-	424
Reinvested earnings	39,985	-	-	-	39,985
Accumulated Result by translation	-166,977	-	-	-	-166,977
Other reserves	13,138	-	-	-	13,138
Unrealized results	4,629	(1,882)	-	-	2,747
Accumulated result	290,900	1,580	-	(265)	292,215
Total equity	1,204,815	(302)	-	(265)	1,204,248
Total equity and liabilities	1,823,605	(302)	-	6,605	1,829,908

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Adjustments to items from statement of profit or loss as of June 30, 2017

Income statement	As of June 2017	IFRS 9	IFRS 15	IFRS 16	As of June 2017
	(non audited) US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	(restated) US\$ (000)
Net sales	243,257	17	(470)	-	242,804
Cost of sales	(117,882)	-	-	30	(117,852)
Gross margin	125,375	17	(470)	30	124,952
Selling expenses	(1,803)	-	470	-	(1,333)
Administrative expenses	(14,375)	-	-	37	(14,338)
Other expenses, net	(17,092)	-	-	-	(17,092)
Operating profit	92,105	17	0	67	92,189
Finance costs	(12,519)	-	-	(196)	(12,715)
Loss (gain) from investments in subsidiaries and associates, net	(28,617)	-	-	(18)	(28,635)
Exchange difference, net	(1,053)	-	-	-62	(1,115)
Gain (loss) from financial assets at fair value through profit or loss	1,283	575	-	-	1,858
Profit before income tax	51,199	592	-	-209	51,582
Income tax	(27,772)	(264)	-	56	(27,980)
Profit (loss) for the period	23,427	328	-	(153)	23,602

Adjustments to items from statement of other comprehensive income as of June 30, 2017

Statement of other comprehensive income	As of June 2017	IFRS 9	IFRS 15	IFRS 16	As of June 2017
	(non audited) US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	(restated) US\$ (000)
Profit for the period	23,427	328	-	(153)	23,602
Cash flow hedge	2,039	-	-	-	2,039
Exchange differences on translation	(549)	-	-	-	(549)
Unrealized results of available for sale investments	1,308	(316)	-	-	992
Unrealized results of other investments	10,943	0	-	-	10,943
Total other comprehensive income	13,741	-316	-	-	13,425
Total comprehensive income for the period	37,168	12	-	-153	37,027

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2.3 Summary of significant accounting policies -

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

(a) Transactions with entities below common control

IFRS 10 "Consolidated financial statements" establish the account treatment of the results generated by change in the stakeholder participation of a subsidiary without loss of control, in which to prepare consolidated financial statement should be directly presented in the net equity. IFRS's does not establish any specific accounting treatment to recognize the net effect of this transaction in the separate financial statement of the Company. In consequence, regarding that the company apply equity method to account its investments in subsidiaries in the the separate financial statements in according with IAS 27 and in line with requeriments established by IAS 28, the Company recognized the difference between sales value and book value of the investment plus cost related with the transaccions in the separate financial statements. To compliance this policy, the Company has recognized in the profit and loss statement a net earning of US\$39,831,557 from the sale of 40 percent of its shares in the subsidiary Cumbres Andinas S.A.

(b) Cash and cash equivalentents -

Cash and cash equivalentents 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 equivalentents 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.

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

As was indicated at the beginning of this note, the accounting policies for financial instruments are defined in IFRS 9, as of January 1, 2018. 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 -

As was indicated at the beginning of this note, accounting policies for financial instruments are defined in IFRS 9, from 1 January 2018. A financial instrument is any agreement that gives rise to a financial asset of an entity and to a financial liability or patrimonial instrument of another entity.

(i). Financial assets -

Recognition and initial measurement -

Financial assets are classified, on initial recognition, as financial assets at fair value (with changes in results or other comprehensive income) or assets measured at amortized cost. All financial assets are recognized initially at fair value. The company's financial assets include cash and cash equivalentents, commercial and miscellaneous receivables, Financial Investments, financial assets at fair value with changes in results and financial assets at fair value with Changes in other comprehensive income.

Later measurement -

The Company classifies its financial assets under the following three categories:

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- Fair value with changes in results;
- Fair value with changes in other comprehensive income; or
- Amortised Cost.

The classification depends on the company's business model and the contractual terms of cash flows.

Fair value with changes in results -

Financial assets at fair value with changes in results are presented in the separate state of financial situation at their fair value and net changes at that fair value are presented as profit (loss) in financial assets at fair value to through results, in the separate state of results. In the initial recognition, the company may irrevocably designate a financial asset to fair value with changes in other comprehensive income as fair value with changes in results if doing so eliminates or significantly reduces a incongruence of measurement or recognition that would arise in another case.

The company has classified certain investments in shares as financial assets at fair value with changes in results, see note 8.

The embedded derivatives closely related to commercial contracts are accounted for in conjunction with the accounts receivable commercial and are considered as a single contract. In this regard, the instrument integrity is recorded at their fair value with changes in the separate state of results.

Fair value with changes in other comprehensive income -

A financial asset is measured at fair value with changes in other comprehensive income if the following two conditions are met: (i) a financial asset is held within a business model whose objective is achieved both getting the contractual cash flows as selling financial assets, and (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest.

These assets are measured subsequently at fair value. The interest income calculated under the effective interest method, the gains and losses by conversion of foreign currency and the deterioration are recognized in the separate state of results. Other net earnings and losses are recognized in other comprehensive income. At the time of the derecognition, gains and losses accumulated in other comprehensive income are reclassified in the separate state of results.

Financial assets measured at amortised cost -

A financial asset is measured at amortised cost if the following two conditions are met and is not measured at fair value with changes in results: (i) a financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of the principal pending.

These assets are then measured at amortised cost using the method of effective interest. Amortised cost is reduced by impairment losses. Interest income, net profit and loss are recognised in results. Any profit or loss in the account is recognised in results.

Financial assets are not reclassified after initial recognition, except if the company changes its business model to manage the financial assets, in which case the financial assets affected are reclassified in the first day of the first period of time over which it reports after the change in the business model.

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This category includes loans and other receivable miscellaneous. See note 7 for more information on receivable accounts.

Investments in equity instruments

Investments in equity instruments are measured at fair value. On initial recognition of an investment in an equity instrument that is not held for negotiation, the company can perform an irreversible choice at the time of initial recognition to submit the subsequent changes in the fair value in other comprehensive income. This choice is made individually for each investment. Dividends are recognized as income in results unless the dividend clearly represents a recovery of part of the cost of the investment. Other net earnings and losses are recognized in other comprehensive income and never are reclassified in results. The Company has classified certain investments in shares as financial assets at fair value through profit or loss, see note 8.

Impairment

The company evaluates expected credit losses associated with its debt instruments posted at amortised cost and at fair value through other comprehensive results, taking into account prospective information.

To estimate expected losses of loans granted to related parties, the company applies the general approach that involves estimated losses expected from 12 months or on the full term of the instrument, dependent if there are significant increase of credit risk (except in cases in which the company believes that it is a loan with low credit risk and is estimated always expected losses of 12 months).

In determining whether the credit risk of a financial asset has increased significantly from initial recognition by estimating the expected credit losses, the company considers reasonable and sustainable information to be relevant and available without undue costs or efforts.

Derecognition of financial assets

The company shall continue to recognise the asset when it has transferred their rights to receive the cash flows generated by the asset, or has concluded an agreement of intermediation, but has not transferred, or retain substantially, all the risks and benefits of the financial asset, nor has transferred control over the same.

In this case, the company will recognize the asset transferred to the extent of its continued involvement in the asset and also recognize the related liabilities. The transferred asset and related liabilities shall be measured on a basis reflecting the rights and obligations retained by the company.

(ii). Financial liabilities -

Recognition and initial measurement -

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, selling options on the interest not driver, loans and accounts payable, or as derivatives designated as hedging instruments in an effective coverage, as appropriate. The company determines the classification of financial liabilities at the time of initial recognition.

All financial liabilities are initially recognized at fair value more or less in the case of loans and accounts payable accounted for at amortised cost, transaction costs directly attributable to the acquisition of financial liabilities.

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Later measurement -

The later measurement of financial liabilities depends on their classification as described below:

The liabilities classified the "amortised cost", which are measured using the method of the effective interest rate. The profits and losses are recognized in the separate state of other comprehensive income when the liabilities are low, as well as through the amortisation process in accordance with the method of the effective interest rate.

The amortized cost is calculated by taking into account any discount or premium in the acquisition and the commissions or the costs which are an integral part of the effective interest rate. The depreciation in accordance with the method of the effective interest rate will be recognized as a financial cost in the separate state of other comprehensive income.

As of June 30, 2018 and 2017, the company holds within this category, financial obligations, commercial payable accounts, and other payable accounts.

Derecognition of financial liabilities -

A financial liability is derecognized when the obligation specified in the contract has been paid or canceled, or has expired.

When an existing financial liability is replaced by another liability from the same lender under substantially different terms, or if the conditions of a existing liabilities are changed substantially, such barter or modification is treated as a derecognition of the original passive and the recognition of a new liability, and the difference between the respective amounts in books is recognized in the state of other comprehensive income.

(ii). *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.

(iii). *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.

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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.

(d) 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.

Monetary assets and liabilities denominated in foreign currencies are translated 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.

(e) Inventories -

Finished products and in-process inventory 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, in-process inventory, 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.

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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.

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

(f) 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 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 Company'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.

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

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fair value of the investment held and the proceeds from the sale, is recognized in the separate statement of profit or loss.

- (g) Property, plant and equipment -
Property, plant and equipment are carried at its 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 qualifying 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 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 and loss as incurred.

The present value of the expected cost for the disposal 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 San Rafael mining unit	Between 2 and 5
Buildings and other constructions of 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 and loss when the asset is derecognized.

- (h) Leases -
Determining of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. It is necessary to assess whether the performance of the contract is

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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 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 and loss on a straight-line basis over the lease term.

(i) 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 amortised 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 and loss.

At the end of the 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.

(j) 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:

- Search and analysis of historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determination and examination of the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

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(k) 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 amortised using the units of production method, over the base of 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.

Development costs necessary to hold production are expensed as incurred.

(l) Stripping (waste removal) costs -

As part of its mining operations, the Company incurs in 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 starts (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 booked 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.

(m) 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.

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

(n) 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.

(o) 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

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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 amortised over 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 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.

(p) 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.

(q) 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 June 30, 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

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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 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.

(r) *Financing costs -*

The financing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is one that requires a period of time longer 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 and loss in the period in which they are incurred. Financing costs include interest and other costs incurred by the Company when obtaining financing.

(s) *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

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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 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

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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.

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:

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- (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 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 -

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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.

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

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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.

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 Company 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.

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- (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. 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 June 30, 2018, the weighted average open-market exchange rates for transactions in Soles were US\$0.3059 for purchase and US\$0.3054 for sale (US\$0.3088 for purchase and US\$0.3082 for sale as of December 31, 2017).

As of June 30, 2018 and December 31, 2017, the Company had the following assets and liabilities in Soles:

	As of June 30, 2018		As of December 31, 2017	
	S/ (000)	Equivalent in US\$(000)	S/ (000)	Equivalent in US\$(000)
Assets				
Cash and cash equivalents	741	227	599	185
Other financial assets	49,189	15,047	9,524	2,935
Trade and other accounts receivable, net	36,945	11,302	25,241	7,795
Balance in favor by income tax	118,452	36,235	-	-
	<u>205,327</u>	<u>62,811</u>	<u>35,364</u>	<u>10,915</u>
Liabilities				
Financial obligations	(724)	(221)		
Trade and other payables	(85,037)	(25,973)	(151,746)	(46,763)
Income tax liabilities	-	-	(14,129)	(4,354)
	<u>(85,761)</u>	<u>(26,194)</u>	<u>(165,875)</u>	<u>(51,117)</u>
Net assets/liabilities position	<u>119,566</u>	<u>36,617</u>	<u>(130,511)</u>	<u>(40,202)</u>

As of June 30, 2018 and December 31, 2017, the Company has no financial instruments to cover exchange risk in its operations in foreign currency.

5. Cash and cash equivalents

- (a) This caption was made up as follows:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Cash on hand	10	5
Cash demand deposits (b)	28,298	32,383
Time deposits (c)	71,168	69,117
Overnight deposits (d)	49,279	101,377

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Balance considered in the separate statements of cash flow	148,755	202,882
Time deposits with original maturities greater than 90 days (e)	270,448	160,444
Total	419,203	363,326

- (b) As of June 30, 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 June 30, 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.

6. Trade and other receivables, net

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Trade (current):		restated
Accounts receivable commercial measured at fair value	46,668	44,376
Fluctuation of fair value	(1,465)	393
	<u>45,203</u>	<u>44,769</u>
Others receivable (current):		
Advances to suppliers	6,157	1,857
Related parties, note 28	4,506	3,491
Value added tax credit	3,604	6,387
Tax credit for works performed	2,747	1,469
Restricted funds	79	80
Others	4,592	4,630
	<u>21,683</u>	<u>17,914</u>
Total	<u>66,888</u>	<u>62,683</u>
By nature:		
Financial Asset	60,537	54,827
Non-Financial Asset	6,351	7,856
Total	<u>66,888</u>	<u>62,683</u>

- (b) As of June 30, 2018 and December 31, 2017, trade receivables are interest free and do not have specific guarantees.

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7. Inventories, net

(a) This caption was made up as follows:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Finished product, note 22	15,352	18,612
Work in progress, note 22	20,845	21,944
Materials and supplies	24,418	25,115
Mineral extracted, note 22	6,290	3,829
Inventory in transit	-	-
	<u>66,905</u>	<u>69,500</u>
Allowance for obsolescence	(3,591)	(3,591)
Total	<u>63,314</u>	<u>65,909</u>

(b) As of June 30, 2018 and December 31, 2017 the products in process was made up as follows:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Products in tin process (i)		
Gravimetric tin concentrate	2,229	1,666
Metal in process	1,829	2,393
Bag House Powder	1,436	1,288
Dross	1,300	1,293
Tin concentrate floating	1,181	932
Metal MH iron	412	669
Others	549	516
	<u>8,936</u>	<u>8,757</u>
Products in gold process (ii)		
Leaching PAD – armed cell	3,268	4,035
Dore bar	2,965	3,282
Broken mineral	2,520	3,014
Refined in process	2,375	830
Adsorption tanks	463	1,654
Electrolytic cells	291	-
Others	27	372
	<u>11,909</u>	<u>13,187</u>
Total	<u>20,845</u>	<u>21,944</u>

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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 pyrometallurgical 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.

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 June 30, 2018 and December 31, 2017:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	3,591	2,784
Allowance for the year	-	807
Ending balance	3,591	3,591

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.

8. Financial assets to fair value with changes in results

- (a) The financial assets include the following:

	As of 06.30.2018			
	Opening Balance	Change of the fair value	Liquidation of the investment	Fair Value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Mutual funds with public quotation (Muzinich)	81,600	(170)	-	81,430
Mutual funds with public quotation (Black Rock)	131,713	271	(131,984)	-
Total	213,313	101	(131,984)	81,430

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	As of 12.31.2017 (Restated)			
	Opening Balance US\$(000)	Change of the fair value US\$(000)	Liquidation of the investment US\$(000)	Fair Value US\$(000)
Mutual funds with public quotation (Black Rock)	128,810	2,903	-	131,713
Total	128,810	2,903	-	131,713

The fair value of mutual funds is determined based on public price quotes in an active market.

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

- (a) As of June 30, 2018 and December 31, 2017, the Company maintains an investment in BBVA shares of Spain for US\$6,608,000 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 June 30, 2018 and December 31, 2017, the Company has an investment in shares of Rímac Seguros y Reaseguros for US\$27,141,000 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 June 30, 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.
- (c) The fair value of non-public-priced deposit certificates was estimated on the basis of discounted cash flows using market rates available for debt instruments of similar conditions, maturity and credit risk.
- (d) The following is the investment movement:

	As of 06.30.2018						
	Cost US\$(000)	Transfer US\$(000)	Change of the fair value US\$(000)	Overdue interest US\$(000)	Dividends US\$(000)	Liquidation of the investment US\$(000)	Fair value US\$(000)
BBVA España	14,845	-	(8,740)	-	503	-	6,608
Rimac	21,070	-	6,071	-	-	-	27,141
Certificates of deposit	40,000	-	97	83	-	-	40,180
Commercial papers	58,778	-	9	70	-	-	58,857
Certificates of public investment	2,935	-	-	-	-	(2,935)	-
Total	137,628	-	(2,563)	153	503	(2,935)	132,786

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	As of 12.31.2017						
	(Restated)						
	Cost	Transfer	Change of the fair value	Overdue interest	Dividends	Liquidation of the investment	Fair value
US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
BBVA España	14,845	-	- 7,556	-	503	-	7,792
Rimac	-	21,070	8,255	-	-	-	29,325
Certificates of deposit	35,000	-	-	2,557	-	(37,557)	-
Certificates of public investment	2,935	-	-	-	-	-	2,935
Total	52,780	21,070	699	2,557	503	(37,557)	40,052

(e) As of June 30, 2018, the Company received dividends in cash from BBVA of Spain and Rimac for US\$172,000 and US\$135,000, respectively (US\$177,000 dividends in cash at December 31, 2017), which were charged to the results of the period.

(f) As of June 30, 2018, the Company has not received dividends in share. (US\$138,000 dividends en share at December 31, 2017).

(g) The movement of the financial assets measured at fair value with change in other comprehensive income:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
		(Restated)
Opening balance	40,052	42,962
New Investments	98,778	2,935
Transfer	-	21,070
Liquidation of certificate of deposit	(2,935)	(37,557)
Change of the fair value	(3,263)	9,795
Dividends	-	138
Interest earned by certificates of deposits, note 26	154	709
Saldo final	132,786	40,052

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10. Investments in subsidiaries and associates

(a) This caption is made up as follows:

	Interest in equity		Investments amount	
	As of 06.30.2018 %	As of 12.31.2017 %	As of 06.30.2018 US\$(000)	As of 12.31.2017 US\$(000) (Restated)
Subsidiaries				
Minera Latinoamericana S.A.C.	99.99	99.99	353,214	372,989
Cumbres Andinas S.A.C.	60.00	99.98	269,747	395,048
Cumbres del Sur S.A.C.	99.98	99.98	18,835	15,120
			<u>641,796</u>	<u>783,157</u>
Associates				
Explosivos S.A.	10.95	10.95	12,424	12,610
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,182	5,202
Rímac Seguros y Reaseguros.	-	14.51	-	-
Servicios Aeronáuticos Unidos S.A.C.	-	47.50	-	-
			<u>17,606</u>	<u>17,812</u>
Total			<u>659,403</u>	<u>800,969</u>

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 follows:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Cumbres Andinas S.A.C.	(11,073)	(4,680)
Minera Latinoamericana S.A.C.	(7,438)	(10,496)
Cumbres del Sur S.A.C.	(2,753)	-
Minsur USA Inc.	-	(12)
Explosivos S.A.	(40)	75
Futura Consorcio Inmobiliario S.A.	29	22
Rímac Seguros y Reaseguros	-	(13,258)
Servicios Aeronáuticos Unidos S.A.C.	-	(286)
Ending balance	<u>(21,275)</u>	<u>(28,635)</u>

(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.

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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 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 holds 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:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Opening balance	372,989	490,329
Plus (minus):		
Unrealized profits	(8,479)	2,991
Participation in net profit	(7,438)	(132,161)
Translation	(4,326)	7,385
Capital contributions	185	28,000
Decrease in tax credit of Mineracao Taboca	259	(23,345)
Other results	25	(210)
Ending balance	353,214	372,989

(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).

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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\$17,153,000.

The General Meeting of Shareholders of the company on April 23, 2018 approved the sale of 40 percent of the shares of Cumbres Andinas S.A.C. to Alxar International SPA by a value of US\$182,447,263, this transaction was completed on May 31, 2018. As a result of this operation, the company has recognized in the statements of profit and loss as of June 2018 a net profit of US\$39,831,557.

As of June 30, 2018, the Company holds through subsidiary Cumbres Andinas S.A.C. an investment of 60 percent in Marcobre S.A.C.

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	395,048	252,177
Plus (minus):		
Capital contributions	67,000	69,550
Participation in results	(11,073)	88,374
Sale of Shares	(181,276)	-
Spin-off, note 1(c)	-	(15,215)
Other results	79	60
Corporate reorganization	(31)	102
Ending balance	269,747	395,048

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

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	15,120	-
Plus (minus):		
Spin-off, note 1(c)	-	15,215
Capital contributions	6,510	-
Participation in results	(2,753)	(95)
Translation	(38)	-
Other results	(4)	-
Ending balance	18,835	15,120

(f) 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 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 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	12,610	12,182
Plus (minus):		
Participation in results	(40)	410
Other results	(147)	18
Translation	1	-
Ending balance	12,424	12,610

Futura Consorcio Inmobiliario S.A.C.

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

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	5,202	5,113
Plus (minus):		
Translation	(46)	181
Other results	(2)	1
Participation in net profit	29	(93)
Ending balance	5,183	5,202

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 June 30, 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 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	-	61,015
Plus (minus):		
Sale of shares	-	(40,020)
Transfer, note 10 (b)	-	(21,070)
Dividends	-	(2,389)
Participation in net profit	-	2,464
Ending balance	-	-

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

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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.:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Opening balance	-	2,871
Plus (minus):		
Liquidation of investment	-	(2,575)
Participation in net loss	-	(286)
Other results	-	(10)
Ending balance	<u>-</u>	<u>-</u>

11. Property, plant and equipment, net

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

	Opening balance 12.31.2017	Additions	Deductions and adjustment	Transfer	Ending balance 06.30.2018	
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	
Cost						
Lands	16,078	18	-	-	16,096	
Buildings and installations	368,665	-	(2,594)	22,040	388,111	
Machinery and equipment	263,283	-	(7,029)	6,393	262,647	
Furniture and fixtures and computer equipments	6,074	-	(26)	343	6,391	
Communication and safety equipments	1,724	-	(20)	150	1,854	
Vehicles	3,424	-	(252)	77	3,249	
Work in progress (c)	46,142	34,239	-	(29,003)	51,378	
Mine closure costs	62,616	8,091	-	-	70,707	
	<u>768,006</u>	<u>42,348</u>	<u>(9,921)</u>	<u>-</u>	<u>800,433</u>	
Accumulated depreciation						
Buildings and installations	221,614	13,638	-	2,148	-	233,104
Machinery and equipment	197,354	6,476	-	5,273	-	198,557
Furniture and fixtures and computer equipments	4,561	270	-	24	-	4,807
Communication and safety equipments	1,154	104	-	15	-	1,243
Vehicles	2,648	103	-	197	-	2,554

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Mine closure costs	38,555	2,436	-	-	40,991
	465,886	23,027	(7,657)	-	481,256
Net cost	302,120				319,177

	Opening balance 12.31.2016	Additions	Deductions and adjustment	Transfer	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost					
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
	703,065	72,375	(7,434)	-	768,006
Accumulated depreciation					
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
	426,378	42,812	(3,304)	-	465,886
Net cost	276,687				302,120

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

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Cost of sales, note 22	22,177	19,286
Other expenses, note 26	490	70
Administrative expenses, note 23	259	266
Exploration and evaluation expenses, note 26	96	120
Selling expenses, note 24	5	2
Total	23,027	19,744

(c) As of June 30, 2018 and December 31, 2017, the balance of the works in progress includes mainly the following items:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Project B2 (level 4480 and 4475)	34,487	14,541
Construction PAD Phase 3B	9,842	3,513
Other minors	3,663	6,066
Cyndhi 3950 ventilation system	2,032	1,066
Regrowth of tailings dam B3	1,354	18,684
Pre-concentration plant	-	2,272
	51,378	46,142

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 June 30, 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.

12. Intangible Assets, net

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

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	Opening balance 12.31.2017	Additions	Disposals	Ending balance 06.30.2018
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -				
Mine development costs	45,637	801	-	46,438
Mining concessions	4,231	-	-	4,231
Easement	3,343	-	-	3,343
Usufruct of lands	2,427	232	-	2,659
Gas connection rights	545	-	-	545
Licenses	373	80	-	453
	<u>56,556</u>	<u>1,113</u>	<u>-</u>	<u>57,669</u>
Accumulated amortization -				
Mine development costs	20,182	3,032	-	23,214
Mining concessions	2,336	151	-	2,487
Easement	1,817	155	-	1,972
Usufruct of lands	1,195	113	-	1,308
Gas connection rights	172	27	-	199
Licenses	54	39	-	93
	<u>25,756</u>	<u>3,517</u>	<u>-</u>	<u>29,273</u>
Net cost	<u>30,800</u>			<u>28,396</u>
	Opening balance 12.31.2016	Additions	Disposals	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -				
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
	<u>46,539</u>	<u>10,017</u>	<u>-</u>	<u>56,556</u>
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
	<u>19,411</u>	<u>6,345</u>	<u>-</u>	<u>25,756</u>
Net cost	<u>27,128</u>			<u>30,800</u>

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

	As of 06.30.2018	As of 06.30.2016
	US\$(000)	US\$(000)
Cost of sales, note 22	3,441	2,686
Exploration and evaluation expenses, note 26	76	65
Total	3,517	2,751

(c) The development costs As of June 30, 2018 and December 31, 2017, include mainly the development of large cavity fill and the feasibility study of project B2.

13. Rights of use asset

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

	Opening balance 12.31.2017	Additions	Disposals	Ending balance 06.30.2018
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost				
Lands and buildings	5,544	-	(19)	5,525
Machinery and equipment	2,562	-	-	2,562
Vehicles	6,717	910	(1,508)	6,119
	<u>14,823</u>	<u>910</u>	<u>(1,527)</u>	<u>14,206</u>
Accumulated depreciation				
Lands and buildings	1,178	287	(20)	1,445
Machinery and equipment	1,950	446	-	2,396
Vehicles	5,201	850	(1,508)	4,543
	<u>8,329</u>	<u>1,583</u>	<u>(1,528)</u>	<u>8,384</u>
Net cost	<u>6,494</u>			<u>5,822</u>

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	Opening balance 12.31.2016	Additions	Disposals	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost				
Lands and buildings	5,541	3	-	5,544
Machinery and equipment	3,110	221	(769)	2,562
Vehicles	6,457	728	(468)	6,717
	<u>15,108</u>	<u>952</u>	<u>(1,237)</u>	<u>14,823</u>
Accumulated depreciation				
Lands and buildings	597	581	-	1,178
Machinery and equipment	1,714	1,005	(769)	1,950
Vehicles	3,919	1,750	(468)	5,201
	<u>6,230</u>	<u>3,336</u>	<u>(1,237)</u>	<u>8,329</u>
Net cost	<u>8,878</u>			<u>6,494</u>

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

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Costo de ventas, nota 22	1,313	1,467
Gastos de administración, nota 23	270	270
Total	<u>1,583</u>	<u>1,737</u>

14. Trade and other payables

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Trade payable	<u>35,579</u>	<u>51,731</u>
Related parties, note 28	<u>3,679</u>	<u>7,003</u>
Other accounts payable:		
Interest payable	11,500	11,158
Tax and contributions payable	8,394	10,789
Remuneration payable	5,802	2,512
Workers' profit sharing (c)	2,296	16,164
Dividends payable	187	190
Related parties, note 28	32	32
Others	1,823	1,580
	<u>30,034</u>	<u>42,425</u>
Total	<u>69,292</u>	<u>101,159</u>

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- (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.

15. Interest-bearing loans and borrowings

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

Entity	Guarantee	Interest rate	As of 06.30.2018 US\$(000)	As of 12.31.2017 US\$(000)
Corporate bonds, net of issuance costs (b)	No guarantee	6.25%	441,428	440,833
Other financial obligations			5,041	2,785
Total			446,469	443,618
By maturity:				
Current portion			5,041	2,785
Non-current portion			441,428	440,833
Total			446,469	443,618

- (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.

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16. Lease liabilities

(a) This item comprises the following:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Lease liabilities (third parties)	1,823	1,764
Lease liability (Related parties, note 28)	4,604	5,106
Total	6,427	6,870
By maturity:		
Current portion	1,561	2,183
Non-current portion	4,866	4,687
Total	6,427	6,870

The liability is made up of the leasing of machinery and equipment and vehicles for the operation of the company.

The movements of the lease liabilities are as follows:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
		(Restructured)
Opening balance of lease at January 1	6,870	8,952
Leasing additions	911	953
Financial interest expenses	155	372
Lease Payments	(1,513)	(3,472)
Exchange difference	4	65
Final Balance of lease	6,427	6,870

Interest charges for the period amount to US US\$155.000 at 2018. (US\$372.000 per year 2017).

17. Provisions

(a) This item comprises the following:

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	Provision for mine closure (b)	Provision for bonuses to employees (c)	Provision for contin- gencies (d)	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
As of January 1, 2017	51,353	4,465	1,060	56,878
Additions	6,953	6,638	1,159	14,750
Discount, note 27	1,491	-	-	1,491
Change in estimates	2,718	-	-	2,718
Payments and advances	(33)	(4,092)	(14)	(4,139)
Reversals, note 25	-	(2,023)	(15)	(2,038)
As of December 31, 2017	62,482	4,988	2,190	69,660
Additions	8,091	5,326	1,565	14,982
Discount, note 27	615	-	-	615
Change in estimates	-	-	-	-
Payments and advances	-	(6,240)	(348)	(6,588)
Reversals, note 25	-	(355)	(407)	(762)
As of June 30, 2018	71,188	3,719	3,000	77,907
By maturity:				
Current portion	3,464	4,988	2,190	10,642
Non-current portion	59,018	-	-	59,018
As of December 31, 2017	62,482	4,988	2,190	69,660
By maturity:				
Current portion	3,239	3,719	3,000	9,958
Non-current portion	67,949	-	-	67,949
As of June 30, 2018	71,188	3,719	3,000	77,907

(b) Provision for mine closure -

The provision for the 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 29(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 June 30, 2018 and December 31, 2017, the nominal value of the provision for mine closure is US\$86,383,000, 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 0.04% and 3.63%, resulting

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in an updated liability of US\$71,188,000 (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.

- (c) Provision bonuses to employees -
As of June 30, 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\$1,709,000 (US\$1,925,000 as of December 31, 2017), see note 29 (c) and for laboral contingencies of US\$1,291,000 (US\$265,000 as of December 31, 2017), see note 30 (d).

18. Income Tax

- (a) The following comprise the Current Tax Assets/(Liability) due to income taxes:

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
Asset/(Liability) for Income taxes		
Current Income Tax	(7,637)	(54,523)
Current Income Tax Prepayment	43,872	50,169
Total	36,235	(4,354)

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

	As of 06.30.2018	As of 12.31.2017
	US\$(000)	US\$(000)
		(Restructured)
Deferred income tax assets		
Provision for mine closure	20,475	17,907
Differences between accounting and tax basis of fixed assets	18,382	17,045
Pre-operational costs for tax purposes	1,952	1,132
Other provisions	1,556	1,989
Tax benefit for tax overpayments from previous years	1,290	1,186
Payable vacations	730	679
Mining royalty and special mining tax	207	1,301
IFRS Adjustment	(535)	142
	<u>44,057</u>	<u>41,381</u>
Deferred income tax liabilities		
Exchange difference of non-monetary items	(8,766)	(5,202)
Assets for closing mine	(7,913)	(7,098)
Development costs	(1,687)	(4,334)
Differences between accounting and tax basis of inventories	(612)	(532)
Financial asset at fair value with changes in results	-	(731)
Available for sale investments	50	(1,980)

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Embedded derivatives	432	(147)
	<u>(18,496)</u>	<u>(20,024)</u>
Deferred income tax asset, net	25,561	21,357
Mining royalty (MR) and Special mining tax (SMT):		
Deferred assets		
Difference between accounting and tax basis of fixed assets	4,318	4,112
Exploration expenses	1,418	1,315
	<u>5,736</u>	<u>5,427</u>
Deferred liabilities		
Exchange difference for non-monetary items	(1,913)	(1,767)
Differences between accounting and tax basis of inventories	(124)	(39)
Embedded derivative	101	(35)
	<u>(1,936)</u>	<u>(1,841)</u>
Deferred tax asset (liability) of MR and SMT, net	3,800	3,586
Total deferred income tax asset, net	29,361	24,943

- (c) The reconciliation of the income tax expense (income) and the profit (loss) before taxes times the tax rate of June 30, 2018 and 2017, is presented below:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Profit (loss) before income tax	66,112	51,199
At statutory income tax rate	(19,503)	(15,104)
Tax results due to sales of shares	30,568	-
Participation in results of subsidiaries and associates	(6,276)	(9,147)
Effect of permanent differences, net	(8,692)	(269)
Tax credit	(10)	(1,572)
Effect of translation	(3,125)	3,098
Effect of mining royalty	2,180	2,308
Others adjustments	95	(208)
Income tax expense	(4,763)	(20,894)
Mining royalties and special mining tax	(7,174)	(7,086)
Total	(11,937)	(27,980)

- (d) The expenses comes from hold the US dollar as the functional currency for accounting purposes and soles for tax purposes. At June 30, 2018 the variation in the exchange rate was S/3.274 to S/3.245 causing the expenditure before mentioned, the same that does not imply a disbursement affecting the cash flow of the company.

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

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Income tax		
Current	(7,831)	(23,761)
Deferred	3,068	2,867
	<u>(4,763)</u>	<u>(20,894)</u>
Mining royalties and special mining tax		
Current	(7,389)	(7,822)
Deferred	215	736
	<u>(7,174)</u>	<u>(7,086)</u>
Total of income tax	<u>(11,937)</u>	<u>(27,980)</u>

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 Brea 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.

19. Net Equity

(a) Capital Stock -

As of June 30, 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 June 30, 2018 and December 31, 2017, this caption comprises 960,999,163 investment shares, with a nominal value of S/.1.00 each one.

According to the current legislation, the investment shares grant the holders the right to participate in the dividend distribution, make contributions to maintain its share in the case of capital increases as a result of additional contributions, increase the investment shares account due to the capitalization of equity accounts, redemption of shares 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 June 30, 2018 was S/1.55 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

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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 June 30, 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 June 30, 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	Dividends per common share	Dividends per investment share
		US\$(000)	US\$(000)	US\$(000)
Dividends 2017				
Shareholders' meeting	September 22	61,138	1.50	0.033

(f) Other reserves -

During 2017, the Company 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 Company recognized in this item dividends pending collection from previous years for an amount of US\$551,000.

(g) Result accumulated by translation -

Corresponds mainly to the exchange difference resulting from the translation of the financial statements of subsidiaries and associated foreign to the presentation currency of the company.

(h) Unrealized results -

Corresponds to unrealized loss from financial assets to fair value with changes in other comprehensive income.

(i) Result per share-

The result per basic action is calculated by dividing the result of the period between the weighted average of the number of shares in circulation during the year. The result per basic and diluted action is the same, since there are no reducing effects on the profits.

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Result attributable to common shareholders and investment	54,175	23,602
Denominador		
Common shares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163

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Result per share

Result attributable to common shareholders	1.879	0.819
Result attributable to investment shareholders	0.019	0.008

20. 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) since December 2013 until December 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 June 30, 2018 and December 31, 2017.

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(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 June 30, 2018 and December 31, 2017.

21. Net Sales

This item comprises the following:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Tin	186,749	182,577
Gold	67,396	60,227
	254,145	242,804

Sales concentration of tin -

As of June 30, 2018 there was no significant sales concentration. The three most important clients for sale of tin represented 40% (36 percent as of June 30, 2017).

Sales concentration of gold -

As of June 30, 2018 the company sells gold to three customers (five customers until June 30, 2017).

Geographical information -

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

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Tin:		(Restated)
America	88,593	90,589
Europe	77,064	78,764
Asia	19,295	10,473
Peru	1,811	2,863
Gold:		
United States of America	67,382	38,879
Europe	-	21,236
	254,145	242,804

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22. Cost of Sales

The composition of this caption is made up as follows:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Opening balance of finished product inventory, note 7 (a)	18,612	16,625
Opening balance of product in process inventory, note 7 (a)	21,944	22,691
Opening balance of mineral extracted, note 7 (a)	3,829	449
	44,385	39,765
Consumption of raw material and miscellaneous supplies	23,232	17,880
Depreciation, note 11	22,177	19,286
Services rendered by third parties	21,841	24,141
Purchase of mining services from AESA S.A.	12,696	16,823
Wages and salaries	9,045	8,583
Employee benefits	5,791	4,671
Other personnel expense	5,624	10,435
Electricity	5,183	6,880
Amortization, note 12	3,441	2,686
Purchase of explosives from Exsa S.A.	3,408	3,512
Other manufacturing expenses	2,975	2,205
Depreciation right of use, note 13	1,313	1,467
Production cost	116,726	118,569
Final balance of finished product inventory, note 7 (a)	(15,352)	(10,067)
Final balance of work in process inventory, note 7 (a)	(20,845)	(25,418)
Final balance of mineral extracted, note 7 (a)	(6,290)	(4,997)
	(42,487)	(40,482)
Cost of sales	118,624	117,852

23. Administrative expenses

The composition of this caption is made up as follows:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Wages	4,401	4,080
Others personnel expense	3,616	2,648
Employee benefits	2,420	3,332
Services rendered by third parties	2,289	2,030
Advice and consulting	1,539	983
Other management charges and provisions	974	729
Depreciation for right of use, note 13	270	270
Depreciation, note 11(b)	259	266
Total	15,768	14,338

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24. Selling expenses

The composition of this caption is made up as follows:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
		(Restated)
Contractual royalties	510	-
Servicio de transporte de minerales	490	206
Management charges and provisions	270	257
Third-party services	231	173
Warehouse expenses	214	248
Security and vigilance	165	60
Wages	159	143
Other personnel expense	88	58
Employee benefits	85	118
Sales commissions	56	68
Depreciation, note 11(b)	5	2
Total	2,273	1,333

25. Other Operating Incomes

The composition of this caption is made up as follows:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Sale of investments in subsidiaries (Cumbres andinas)	182,447	-
Revenue on sale of supplies	1,783	1,974
Income for advisory services	1,070	975
Income from works for taxes law	632	-
Reversion estimation for risks, note 17 (b)	407	-
Income from sale of property, plant and equipment	227	22
Income for claims to insurance	185	-
Lease of equipment	61	319
Others	616	960
Total	187,428	4,250

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26. Other Operating Expenses

This item comprises the following:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Exploration and evaluation expenses		
Third-party services	10,801	9,975
Mining rights	819	907
Purchase of mining services from AESA S.A.	419	885
Wages	417	437
Other personnel expense	346	290
Management charges and provisions	326	201
Employee benefits	236	310
Material consumption	115	86
Depreciation, note 11(b)	96	120
Amortization, note 12(b)	76	65
	13,651	13,276
Other operating expenses		
Net cost of disposal of sale of investment in subsidiaries	181,276	-
Net cost of property, plant and equipment with drawn	1,939	660
Cost of sale of supplies	1,733	1,881
Provision for administrative and laboral contingencies, note 17 (d)	1,565	1,691
Donations	1,500	901
Taxes assumed for financial cost of debt	719	699
Contributions to public entities of environmental regulation	640	635
Depreciation, note 11	490	70
Retirement fund for mining workers	129	402
Administrative and tax sanctions	37	
Adjustments for physical inventory of supplies	1	23
Net cost of disposal of mining rights	-	235
Others	1,273	869
	191,302	8,066
Total other expenses, net	204,953	21,342

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27. Financial Income and Costs

This item comprises the following:

	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Finance income:		(Restated)
Interest on time deposits	2,349	1,240
Interest overnight deposits	567	320
Cash dividends, note 9	307	77
Interest on loans to related	169	185
Interest on current accounts	148	127
Interest on certificates of deposit, note 9	83	504
Interest on bonds - commercial papers, note 9	70	-
Others	168	1
Total	3,861	2,454
Finance costs:		
Interest on corporate bond	(14,403)	(14,014)
Leasing Contract Interests	(155)	(196)
Amortization of issuance costs of corporate bond	(595)	(356)
Others	(1)	(2)
Interest expenses	(15,154)	(14,568)
Accretion	(615)	(739)
Total	(15,769)	(15,307)

28. Related parties transactions

(a) Receivables and Payables -

The balances of the receivable and payable with related parties As of June 30, 2018 and December 31, 2017 follow:

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	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Receivable (current):		(Restated)
Compañía Minera Raura S.A.	2,299	1,968
Rímac Seguros y Reaseguros	1,310	1,002
Marcobre S.A.C.	741	184
Administración de Empresas S.A.	76	246
Mineração Taboca S.A.	60	21
Clinica Internacional S.A.	17	11
Exsa S.A.	3	3
Minera Sillustani S.A.C.	-	14
Minera Latinoamericana S.A.C.	-	14
Cumbres Andinas S.A.	-	14
Cía. Minera Barbastro S.A.C.	-	14
Total	4,506	3,491
By maturity:		
Current portion	4,506	3,491
Non-current portion	-	-
	4,506	3,491
	As of 06.30.2018	As of 06.30.2017
	US\$(000)	US\$(000)
Payables (current):		
Inversiones San Borja S.A	4,466	4,867
Administración de Empresas S.A.	2,714	5,820
Exsa S.A.	803	855
Clínica Internacional S.A.	217	326
Inversiones Nacionales de Turismo S.A.	35	33
Compañía Minera Raura S.A.	32	32
Centria Servicios Administrativos S.A.	21	24
Rímac Seguros y Reaseguros	20	2
Protección Personal S.A.C.	5	24
Rímac S.A. Entidad Prestadora de Salud	1	129
Corporación Peruana de Productos Químicos	1	-
Estratégica S.A.C.	-	28
Bodegas Viñas de Oro	-	1
Total	8,315	12,141

There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 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.

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

29. 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 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 June 30, 2018, the provision for mine closure units San Rafael, Pucamarca and Pisco amounts to US\$71,188,000 (US\$62,482,000 as of December 31, 2017). See to the movement of this provision in note 17(a).

30. 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/101,646,000 (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 June 30, 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. During 2018 the company has been recovering US\$ 622,000 as a result of sunat review in income tax of the period 2011.

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(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\$31,981,000). This amount was originated by a mistake in the determination of a profit related to the transfer of 9,874,142 shares of Union de Cervecerias 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 June 30, 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 June 30, 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\$1,709,000 (US\$1,925,000 as of December 31, 2017), which is presented under "Provisions" in the separate statement of financial position note 17(d).

(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 June 30, 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\$1,291,000 (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 June 30, 2018.

As of June 30, 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.

31. 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.

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As of June 30, 2018	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Other non- allocable US\$(000)	Total US\$(000)
Results:				
Net sales from third parties	188,607	67,396	-	256,003
Embedded derivative for sale of tin	(1,858)	-	-	(1,858)
Cost of sales	<u>(86,036)</u>	<u>(32,587)</u>	-	<u>(118,624)</u>
Gross margin	<u>100,713</u>	<u>34,809</u>	-	<u>135,521</u>
Administrative expenses	(11,436)	(4,332)	-	(15,768)
Selling expenses	(1,647)	(627)	-	(2,274)
Exploration and evaluation expenses	(12,759)	(892)	-	(13,651)
Other expenses, net	<u>(2,810)</u>	<u>(1,064)</u>	-	<u>(3,874)</u>
Operating income	<u>72,061</u>	<u>27,894</u>	-	<u>99,955</u>
Profit before income tax	-	-	66,112	66,112
Income tax	<u>-</u>	<u>-</u>	<u>(11,937)</u>	<u>(11,937)</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>54,175</u>	<u>54,175</u>
Other disclosures:				
Additions of fixed assets, intangibles and right of uses	36,342	7,939	90	44,371
Depreciation and amortization (included in costs and expenses)	(11,404)	(15,527)	(1,197)	(28,128)
Operating activities cash flow	-	-	30,488	30,488
Investing activities cash flow	-	-	(82,980)	(82,980)

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As of June 30, 2017	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Other non- allocable US\$(000)	Total US\$(000)
Results:				(Restated)
Net sales from third parties	182,284	60,227	-	242,511
Embedded derivative for sale of tin	293	-	-	293
Cost of sales	<u>(85,214)</u>	<u>(32,638)</u>	-	<u>(117,852)</u>
Gross margin	<u>97,363</u>	<u>27,589</u>	-	<u>124,952</u>
Administrative expenses	(10,358)	(3,980)	-	(14,338)
Selling expenses	(1,241)	(92)	-	(1,333)
Exploration and evaluation expenses	(12,576)	(700)	-	(13,276)
Other expenses, net	<u>(2,759)</u>	<u>(1,057)</u>	-	<u>(3,816)</u>
Operating income	<u>70,429</u>	<u>21,760</u>	-	<u>92,189</u>
Profit before income tax	-	-	51,582	51,582
Income tax	-	-	(27,980)	(27,980)
Profit for the year	<u>-</u>	<u>-</u>	<u>23,602</u>	<u>23,602</u>
Other disclosures:				
Additions of fixed assets, intangibles and right of use	14,722	8,522	35	23,279
Depreciation and amortization (included in costs and expenses)	(10,640)	(13,069)	(523)	(24,232)
Operating activities cash flow	-	-	51,839	51,839
Investing activities cash flow	-	-	(20,467)	(20,467)