Minsur S.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of September 30, 2018, and 2017

1. Corporate information

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

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

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

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

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

The Group 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, with total investment and annual average production estimated at US$ 1,600 million, 102,000 tons of copper concentrate and 58,000 tons of copper cathodes, respectively, production that is expected to be obtained between 2020 and early 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$200 million, which consists in extracting tin from an old tailing through a production process to be carried out in the future plant of reuse of tailings. The start of production is estimated for ending 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, holding companies whose assets corresponded to shares of other companies that owned shares of Marcobre S.A.C. 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 mentioned corporate reorganization has not meant a change in the control of Marcobre S.A.C. 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 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, and the book value of the equity block transferred was S/49,374,000 (equivalent to US$15,216,000). Likewise, Cumbres del Sur S.A.C. issued shares that were gave to the shareholders of Cumbres Andinas in the same proportion that they have in the latter as of the effective date of the spin-off.

This spin-off had no impact on the consolidated financial statements.

(c.3) Purchase of Non-controlling interest
On September 23, 2016, through its subsidiary Cumbres Andinas S.A., the group acquired the non-controlling interest of Marcobre S.A.C. (Marcobre), which represented 30 percent of its share capital and belonged to KLS Limited, thus obtaining control of 100 percent of the shares of Marcobre, owner of the Mina Justa project. According to the contract for the sale of shares, the consideration for the purchase amounted to US$ 85,000,000, with the form of payment being as follows: initial of US$ 60,000,000 through a deposit to an escrow account, an amount that was freely available to the seller after this determined before the tax administration the tax impact of the operation, and balance of US$ 25,000,000 that will be paid in five installments with annual maturity of US $ 5,000,000 each, from what happens first between: (a) 10 business days later at the start of commercial production of the Mina Justa project, or (b) as of September 30, 2018, the present value of the liabilities of US$ 25,000,000 is US$ 16,923,777 (US$ 16,433,000 as of December 31, 2017).

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

	Participation in the issued capital			
	September 30, 2018		December 31, 2017	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile				
Minera Andes del Sur S.P.A.	-	100.00	-	100.00
Subsidiaries in Brazil				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgica Ltda.	-	100.00	-	100.00
Subsidiaries in Peru				
Minera Latinoamericana S.A.C.	100.00	-	100.00	-
Cumbres Andinas S.A.	60.00	-	99.98	-
Cumbres del Sur S.A.C.	99.98	-	100.00	-
Compañía Minera Barbastro S.A.C.	-	99.99	-	99.99
Minera Sillustani S.A.C.	-	99.99	-	99.99
Marcobre S.A.C.	-	60.00	-	100.00

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

- Minera Andes del Sur S.P.A. -
  This subsidiary is engaged in the exploration and exploitation of mineral resources in Chile contained in the mining properties.

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

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

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

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

  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 and in accordance with the provisions of IFRS 10 "Consolidated financial statements", the Company has recognized a gain of US $ 39,660,000 in other equity reserves in its equity as of September 2018.

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

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

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

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

2. Basis of preparation and accounting policies

2.1 Basis of preparation -

The consolidated financial statements of the Group have been prepared and presented in accordance with the International Financial Reporting Standards (hereinafter "IFRS"), issued by the International Accounting Standards Board (hereinafter "IASB") in effect as of September 30, 2018.

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

These consolidated financial statements provide comparative information to the previous period. For a better interpretation of the consolidated financial statements in accordance with IFRS, these should be read in conjunction with the consolidated financial statements as of December 31, 2017.

2.2 Changes in accounting policies

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

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

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

For the transition to IFRS 15, the Group 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 Group sells a significant portion of tin metal under the CIF (Cost, Insurance and Freight) and CFR (Cost and Freight) incoterms, in which two distinctive performance obligations are identified, (i) the sale of the final metallic product of tin and (ii) logistic management activities (transport and insurance) that the Group carries out for its customers, after the transfer of control of the metallic tin at the loading port, that is, when it crosses the edge of the ship.

  Logistics management represents a new element on which revenues are recognized and whose consideration must be separated from the value of each sale in which these incoterms are applied. Likewise, the Group has concluded that in this management it acts as an agent between the client and the supplier to whom it is contracted to provide this service, reason why the income for this activity must be presented net of its associated costs. Within the framework of the regulations in effect until 2017, the separation of income between these two elements was not required, so that the entire consideration for the sale was attributed to income from product sales and the cost of transportation and logistics activities it was presented as part of sales expenses.

  In according with our calculations there are not any impact in our equity of the Group as of January 1 and December 31, 2017, however, in the presentation of statement of profit of loss as of September 30, 2018 and 2017, we estimated a reduction of revenue and sales expenses for US$888,000 and US$915,000, 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.

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

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

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

- Classification and measurement of financial assets
  IFRS 9 includes three main classification categories for financial assets:

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

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and on the characteristics of its contractual cash flows. The standard eliminates the existing categories of IAS 39 from held-to-maturity, loans and receivables and available-for-sale.

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

1. Certain tin metal sales made by the Group 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 Group 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 Group 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 Group maintained investments in equity instruments in BBVA Spain and in Rímac Seguros and Reaseguros, classified as at fair value through profit or loss. With the application of IFRS 9, the Group 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 the life of the instrument.

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

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

- 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.

- Commercial accounts receivable from other sales will be subject to impairment evaluation applying the simplified approach. However, the Group 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 impairment.

2.2.3. IFR 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. IFRS 16 introduces a single tenant accounting model whereby it requires the recognition of assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset is of low value. The lessee must recognize an asset for right of use that represents its right to use the underlying leased asset and a lease liability that represents its obligation to make lease payments. A lessee measures right-of-use assets in a manner similar to other non-financial assets (such as property, plant and equipment) and lease liabilities in a manner similar to other financial liabilities.

The Group has decided to adopt IFRS 16 in advance in 2018, applying the retrospective approach. As a consequence, the Group has changed its accounting policy to lease contracts.

The main impact of the application of IFRS 16 for the Group is the recognition in the statement of financial position of contracts in which it obtains the right to use assets, mainly associated with operating leases and certain service contracts that contain implicit leases. The initial application of IFRS 16 would result in an increase in assets as of January.

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:

Adjustments to the consolidated statement of financial situation as of January 1, 2017

Consolidated statement of financial situation	Opening balance (audited)	IFRS 9	IFRS 15	IFRS 16	Opening balance (restated)
Assets	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**
Current assets					
Cash and cash equivalents	272,357	-	-	-	272,357
Other financial assets	157,785	-	-	-	157,785
Trade receivables and others	98,937	(262)	-	-	98,675
Inventory, net	100,215	-	-	-	100,215
Financial assets at fair value with changes in other comprehensive income	-	-	-	-	-
Deferred income tax asset, net	338	-	-	-	338
Other assets	2,140	-	-	-	2,140
Total current assets	631,772	(262)	-	-	631,510
Non-current assets					
Trade receivables and others	53,664	-	-	-	53,664
Available for Sale Investments	128,810	(128,810)	-	-	-
Financial assets to fair value with changes in results	-	128,810	-	-	128,810
Investments in associates	345,523	-	-	-	345,523
Property, plant and equipment, net	525,934	-	-	-	525,934
Intangible assets, net	390,688	-	-	-	390,688
Rights of use	-	-	-	25,449	25,449
Income tax credit	183	-	-	-	183
Deferred income tax asset, net	85,795	-	-	155	85,950
Total non-current assets	1,530,597	-	-	25,604	1,556,201
Total assets	2,162,369	(262)	-	25,604	2,187,711
Liabilities					
Trade payables and others	141,798	-	-	-	141,798
Financial obligations	112,268	-	-	-	112,268
Lease liabilities	-	-	-	-	-
Income taxes Payable	9,319	-	-	-	9,319
Provisions	33,959	-	-	-	33,959
Other derivatives	165	(165)	-	-	-
Total current liabilities	297,509	(165)	-	-	297,344
Financial obligations	444,730	-	-	25,944	470,674
Other accounts payable	39,450	-	-	-	39,450
Deferred earnings tax liability	38,272	-	-	-	38,272
Lease liabilities	-	-	-	-	-
Provisions	146,470	-	-	-	146,470
Total no current liabilities	668,922	-	-	25,944	694,866
Total liabilities	966,431	(165)	-	25,944	992,210

Equity					
Capital	601,269	-	-	-	601,269
Investment shares	300,634	-	-	-	300,634
Other reserves	197,151	-	-	-	197,151
Other reserves of equity	(174,923)	(6,957)	-	-	(181,880)
Results accumulated	271,616	6,860	-	(340)	278,136
Assets Controller	1,195,747	(97)	-	(340)	1,195,310
Participation of non-controlling shareholders	191	-	-	-	191
Total equity and liabilities	2,162,369	(262)	-	25,604	2,187,711

Adjustments to the consolidated statement of financial situation as of December 31, 2017

Consolidated statement of financial situation	**Opening balance (audited)**	**IFRS 9**	**IFRS 15**	**IFRS 16**	**Opening balance (restated)**
Assets	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**
Current assets					
Cash and cash equivalents	240,481	-	-	-	240,481
Other financial assets	201,412	(601)	-	-	200,811
Trade receivables and others	103,423	487	-	-	103,910
Inventory, net	110,078	-	-	-	110,078
Deferred income tax asset, net	345	-	-	-	345
Other assets	5,133	-	-	-	5,133
Total current assets	660,872	(114)	-	-	660,758
Non-current assets					
Trade receivables and others	62,702	-	-	-	62,702
Available for Sale Investments	131,713	(131,713)	-	-	-
Financial assets to fair value with changes in results	-	131,713	-	-	131,713
Investments in associates	303,307	-	-	-	303,307
Property, plant and equipment, net	508,558	-	-	(1,075)	507,483
Intangible assets, net	465,901	-	-	-	465,901
Rights of use	-	-	-	26,049	26,049
Income tax credit	4	-	-	-	4
Deferred income tax asset, net	136,744	34	-	245	137,023
Total non-current assets	1,608,929	34	-	25,219	1,634,182
Total assets	2,269,801	(80)	-	25,219	2,294,940
Liabilities					
Current portion of financial obligations	70,358	-	-	(5,445)	64,913
Trade payables and others	151,385	(23,173)	-	-	128,212
Lease liabilities	-	-	-	-	-
Income taxes Payable	4,354	-	-	-	4,354
Provisions	23,690	23,173	-	692	47,555
Total current liabilities	249,787	-	-	(4,753)	245,034

Other accounts payable	31,641	-	-	-	31,641
No current portion of financial obligations	520,252	-	-	30,513	550,765
Deferred earnings tax liability	102,189	-	-	13	102,202
Lease liabilities	-	-	-	-	-
Provisions	160,948	-	-	-	160,948
Total current liabilities	815,030	-	-	30,526	845,556
Total liabilities	1,064,817	-	-	25,773	1,090,590
Equity					
Capital	601,269	-	-	-	601,269
Investment shares	300,634	-	-	-	300,634
Other reserves	174,357	-	-	-	174,357
Other reserves of equity	(162,349)	(3,860)	-	(24)	(166,233)
Results accumulated	290,903	3,780	-	(530)	294,153
Assets Controller	1,204,814	(80)	-	(554)	1,204,180
Participation of non-controlling shareholders	170	-	-	-	170
Total equity and liabilities	2,269,801	(80)	-	25,219	2,294,940

Adjustments of items in the consolidated statement of profit or loss as of September 30, 2017

Consolidated statement of profit or loss	**As of September 2017 (non audited)**	**IFRS 9**	**IFRS 15**	**IFRS 16**	**As of September 2017 (restated)**
	US$ (000)	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**
Net sales	504,559	(31)	(915)	-	503,613
Cost of sales	(307,344)	-	-	531	(306,813)
Gross margin	197,215	(31)	(915)	531	196,800
Selling expenses	(4,745)	-	915	-	(3,830)
Administrative expenses	(35,324)	-	-	56	(35,268)
Other income	70,335	-	-	-	70,335
Other expenses	(82,209)	-	-	-	(82,209)
Operating profit	145,272	(31)	-	587	145,828
Financial expenses	(25,917)	(138)	-	(714)	(26,769)
Loss (gain) from investments in associates, net	8,525	-	-	-	8,525
Exchange difference, net	800	-	-	(165)	635
Gain (loss) from financial assets at fair value through profit or loss	9,744	(6,933)	-	-	2,811
Profit before income tax	138,424	(7,102)	-	(293)	131,029
Income tax	(48,884)	2,090	-	44	(46,750)
Profit (loss) for the period	89,540	(5,012)	-	(249)	84,279

Adjustments in the consolidated statement of other comprehensive income as of September 30, 2017

Consolidated statement of other comprehensive income	As of September 2017 (non audited)	IFRS 9	IFRS 15	IFRS 16	As of September 2017 (restated)
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Profit for the period	89,540	(5,012)	-	(249)	84,279
Cash flow hedge	3,949	-	-	-	3,949
Exchange differences on translation	26,036	-	-	-	26,036
Unrealized results of available for sale investments	1,887	5,081	-	-	6,968
Unrealized results of other investments	(312)	108	-	-	(204)
Total other comprehensive income	31,560	5,189	-	-	36,749
Total comprehensive income for the period	121,100	177	-	(249)	121,028

In addition, the application of IFRS 16 resulted in changes in the presentation of the consolidated statement of cash flows for the first nine months ended September 2017. Payments from January to September 2017 for leases amount to US$ 12,266,000 and were presented originally as part of the operating activities, with the change originated by IFRS 16, these are presented in the consolidated statement of cash flows restated as part of financing activities.

2.3 Summary of significant accounting policies -

The following significant accounting policies modified by IFRS 15, 16 and 9 are used by the Group to prepare its consolidated financial statements, other relevant accounting policies is described in our consolidated financial statements as of december 31, 2017.

(a) Transactions with entities below common control

Sale of partial equity in Cumbres Andinas S.A.C. in favor to Alxar International S.P.A-

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.To compliance this standard, the Group has recognized in the consolidated statement of changes in equity statement a net earning of US$39,600,532 from the sale of 40 percent of its shares in the subsidiary Cumbres Andinas S.A.

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

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

(i) Financial assets -

Initial recognition and measurement -
Financial assets are classified, at initial recognition, as financial assets at fair value (with changes in results or other comprehensive income) or assets measured at amortized cost. All financial assets are initially recognized at fair value.

The Group's financial assets include cash and cash equivalents, trade and other accounts receivable, financial investments, financial assets at fair value through profit or loss and financial assets at fair value with changes in other comprehensive income.

Subsequent measurement -
The Group classifies its financial assets into the following three categories:

- Fair value with changes in results;
- Fair value with changes in other comprehensive income; or
- Amortized cost.

The classification depends on the business model of the Group and the contractual terms of the cash flows.

Fair value with changes in results -
Financial assets at fair value through profit or loss are presented in the consolidated statement of financial position and their fair value of changes are shown as gain (loss) in the consolidated statement of profit or loss. In the initial recognition, the Group can irrevocably designate a financial asset at fair value with changes in other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an inconsistency in measurement or recognition that would otherwise arise.

The Group has classified certain investments as financial assets at fair value through profit or loss.

Implicit derivatives closely related to commercial contracts are accounted for together with commercial accounts receivable and are considered as a single contract. In this sense, the entire instrument is recorded at fair value with changes in the consolidated income statement.

Fair value with changes in other comprehensive income -
A financial asset is measured at fair value through changes in other comprehensive income if the following two conditions are met: (i) The financial asset is conserved within a business model whose objective is achieved both by obtaining the contractual cash flows and by selling the 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 subsequently measured at fair value. Interest income calculated under the effective interest method, foreign currency translation gains and losses and impairment are recognized in the consolidated income statement. Other net gains and losses are recognized in other comprehensive income. At the time of derecognition, the gains and losses accumulated in other comprehensive income are reclassified in the consolidated income statement.

Financial assets measured at amortized cost -
A financial asset is measured at amortized cost if the following two conditions are met: (i) the financial asset is conserved within a business model whose objective is to maintain the financial assets to obtain 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 the principal and interest on the outstanding principal amount.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by the impairment losses. Interest income, net gains and losses are recognized in results. Any gain or loss on the derecognition of accounts is recognized in results.

Financial assets are not reclassified after their initial recognition, except if the Group changes its business model to manage financial assets, in which case the affected financial assets are reclassified on the first day of the first reporting period after change in the business model.

Investments in equity instruments
Investments in equity instruments are measured at fair value. In the initial recognition of an investment in an equity instrument that is not held for trading, the Group may make an irrevocable election at the time of initial recognition of subsequent changes in 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 gains and losses are recognized in other comprehensive income and are never reclassified in profit or loss. The Group has classified certain share investments as financial assets at fair value through profit or loss.

Impairment

The Group evaluates the expected credit losses (PCE) associated with its debt instruments recorded at amortized cost and at fair value through other comprehensive income, taking into account prospective information.

In order to estimate the expected losses of loans granted to related parties, the Group applies the general approach that implies estimating expected losses of 12 months or over the entire term of the instrument, depending on whether there is a significant increase in credit risk (except in cases where the Group considers that it is a loan with low credit risk and it is always estimated expected losses of 12 months).

In determining whether the credit risk of a financial asset has increased significantly since the initial recognition in estimating the expected credit losses, the Group considers reasonable and sustainable information that is relevant and available without undue cost or effort.

Derecognition

The Group will continue to recognize the asset when it has transferred its rights to receive the cash flows generated by the asset, when the Group has entered into an intermediation agreement, but has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred the control about itself.

In this case, the Group will recognize the asset transferred to the extent of its continued involvement in the asset and also recognize the related liability. The transferred asset and the related liability will be measured on a basis that reflects the rights and obligations retained by the Group.

(ii). Financial liabilities -

Initial recognition and measurement -
Financial liabilities within the scope of IFRS 9 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, put-options over non-controlling interest, loans and accounts payable, or as derivatives designated as hedging instruments in effective hedging, as

appropriate. The Group determines the classification of financial liabilities at the time of initial recognition.

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

The Group's financial liabilities include trade accounts payable, other accounts payable and financial obligations.

Subsequent measurement -
The subsequent measurement of financial liabilities depends on their classification, as described below:

Liabilities classified at "amortized cost" are measured using the effective interest rate method. Profits and losses are recognized in the consolidated statement of comprehensive income when the liabilities are written off, as well as through the amortization process according to the effective interest rate method.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the commissions or costs that are an integral part of the effective interest rate. Amortization in accordance with the effective interest rate method is recognized as a financial cost in the consolidated statement of comprehensive income.

As of September 30, 2018 and 2017, the Group maintains financial obligations, commercial accounts payable, and other accounts payable within this category.

Derecognition
A financial liability is written off when the obligation specified in the corresponding 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 conditions, or if the conditions of an existing liability are substantially modified, such a swap or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference between the respective amounts in books is recognized in the consolidated statement of comprehensive income.

(iii). Compensation of financial instruments -
Financial assets and financial liabilities are offset so that the net amount is reported in the consolidated statement of financial position, only if there is a current legally enforceable right to offset the amounts recognized, and there is an intention to settle them for the net amount, or to realize assets and cancel liabilities simultaneously.

(c) Leases -

As a lesser -

At the start of a contract, the Group evaluates whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a payment. To evaluate whether a contract conveys the right to control the use of an identified asset, the Group evaluates if:

(i) the contract involves the use of an identified asset, which can be specified explicitly or implicitly, and must be physically different or substantially represent the entire capacity of a physically different asset. If the supplier has a substantive right to substitute the asset throughout the period of use, then the asset is not identified;

(ii) the Group has the right to obtain substantially all of the economic benefits of using the asset during the entire period of use; y

(iii) the Group has the right to direct the use of the identified asset throughout the period in use. The Group has this right when the decision-making rights that are most relevant to change how and for what purpose the asset is used are available. In rare cases, where all decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if:

- the Group has the right to operate the asset; or
- The Group has designed the asset in a way that predetermines the form and for what purpose it will be used.

In its role as lessee, the Group recognizes an asset for right of use and a liability for lease on the date of commencement of the lease.

Right of use -
The right-of-use asset is measured initially at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made on or before the start date, in addition to the initial direct costs incurred and an estimate of the costs of dismantling the underlying asset or to restore the underlying asset or the site in which it is located, minus any incentive received by the lease. Subsequently, it depreciates linearly over the useful life of the contract.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the asset by right of use or at the end of the lease term.

In addition, the right-of-use asset is periodically reduced due to impairment losses, if any, and adjusted for new lease liability measurements.

Lease liability -

The lease liability is initially measured at the present value of the lease payments that are not paid at the start date, discounted using the interest rate implicit in the lease or, if the rate can not be easily determined, will be applied the incremental rate of debt. The Group uses the incremental debt rate as the discount rate.

The lease payments, include: fixed payments or, in essence are fixed, variables that depend on an index or a rate, initially measured using the index or rate on the start date, among other concepts. Likewise, contracts can identify non-lease components related to disbursements related to other concepts. In this context, IFRS 16 allows the adoption, as an accounting policy, of not separating the leasing and non-leasing components of this type of contract with the consequence that will form part of the liability measurement by leasing.

The lease liability is measured at amortized cost using the effective interest method. The subsequent measurement of liabilities is made when there is a change in future lease payments resulting from a change in an index or rate, if there is a change in the estimate of the amount that is expected to be paid for a guarantee of the Group's residual value, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is reversed, an adjustment is recognized in the book value of the asset for right of use, or in the results if the right-of-use asset does not present an accounting balance.

Financial costs are charged to the results of the period on the basis of the term of the lease at the constant periodic interest rate of the remaining financial liability in each period.

The termination and extension options are included in the right-of-use liabilities. When determining the term of the lease, management considers all the factors and circumstances that result in the evaluation of economic and operational incentives to exercise an extension option or not exercise a termination option.

Exceptions to recognition -

The Group does not recognize assets for use right and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets, including computer equipment. The Group recognizes the lease payments associated with these lease agreements as an expense on a straight-line basis over the term of the lease.

As a lessor -

When the Group acts as a lessor, it determines, at the beginning of the lease, whether each lease is a financial lease or an operating lease.

To classify each lease, the Group evaluates whether the lease transfers to the lessee represent substantially all the risks and benefits inherent to the ownership of the underlying asset. If this is the case, then the lease is a financial lease; otherwise, it is a lease operative as part of this evaluation, the Group considers certain indicators, such as whether the lease contract covers most of the economic life of the asset.

When the Group subleases an asset, it presents its role in the main lease contract and in the sub-lease separately. The lease classification of a sub-lease is evaluated with reference to the right-of-use asset arising from the main lease, not with reference to the underlying asset. If a primary lease is a short-term lease, for the Group to apply the exemption described above, then the sub-lease is classified as an operating lease.

If a contract contains lease and non-lease components, the Group applies IFRS 15 to distribute the consideration in the contract between the different components.

(d) Revenue recognition -

As indicated at the beginning of this note, the accounting policies for income recognition are defined in IFRS 15, as of January 1, 2018.

Income is recognized to the extent that a performance obligation is satisfied through the transfer of the goods and services committed to the client. An asset is transferred when the customer obtains control of that asset.

The income will be recognized based on the price of the transaction that is assigned to that performance obligation, to which the Group expects to have the right to transfer the goods and services committed to the customer, excluding the amounts collected on behalf of third parties.

The consideration that is committed in a contract may include fixed amounts, variable amounts or both. The following specific criteria must be met in order for an income to be recognized:

Income from sale of metals -

Tin and gold sales are performance obligations that are satisfied at a certain time and are recorded when control of the goods is transferred to the buyer, which happens at the time of the delivery of goods according to the contractual conditions.

Regarding the measurement of tin sales, the Group assigns a provisional value to the sales of these metals since they are subject to a final price adjustment at the end of a contractually established period. The exposure to the change in the price of metals generates an implicit derivative that is closely related to the host commercial contract, so that it is accounted for as a single contract. At the end of each period, the sale price used initially must be adjusted according to the future price for the period of contribution stipulated in the contract. Commercial contracts result in a financial asset representing accounts receivable that are measured at fair value with changes in the consolidated income statement and, whose subsequent changes in measurement are recognized in the consolidated income statement and presented as part of the net sales item.

As for the measurement of gold sales, they are not subject to a final price adjustment, therefore, contracts with customers for the sale of this metal do not generate embedded derivatives.

Income for logistics management service -

The income from this service derives mainly from tin sales under the CIF and CFR incoterm resulting from the intermediation activities in logistics management (freight and insurance) in favor of its customers, which occurred after the transfer of control of the main asset. The performance obligation is satisfied at a certain time and is recorded when the Group makes the arrangements with the third party so that it carries out the insurance of the cargo and shipment to the destination requested by the customer.

The Group has evaluated its operations in relation to the logistics management service and its status as agent or principal, determining that it fulfills the role of agent, for which the revenues are presented at a net amount.

3. Cash and cash equivalents

(a) This item comprises the following:

	As of 09.30.2018	**As of 12.31.2017**
	US$(000)	US$(000)
Cash on hand and petty cash	21	10
Cash demand deposits (b)	63,081	34,381
Overnight deposits (c)	26,808	101,377
Time deposits (d)	6,112	103,818
Deposits in transit (e)	5,445	-
Certificates of bank deposits (f)	600	895
Balance considered in the consolidated statements of cash flow	**102,067**	**240,481**
Time deposits with original maturities greater than 90 days (g)	441,214	200,811
Total	**543,281**	**441,292**

(b) As of September 30, 2018, and December 31, 2017, the Group maintains its cash demand deposits in local and foreign banks of first level that are freely available and generates interest at market interest rate.

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

(d) Time deposits have original maturities of less than 90 days and can be renewed at maturity. As of September 30, 2018, and December 31, 2017, these deposits earned interest at market interest rates.

(e) Deposits in transit correspond to movements of cash that will be reflected in banks within thirty days.

(f) As of September 30, 2018, corresponded to Bank Deposits Certificates – CDB's kept by Mineração Taboca S.A. and have original maturities of less than 90 days.

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

4. Trade and other receivables, net

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

	Al 30.09.2018	**Al 31.12.2017**
	US$(000)	US$(000)
Trade:		**(restated)**
Invoices receivable (b)	59,507	71,645
Related parties, note 19	1,420	3,268
Other receivables:		
Value added tax credit and other tax credits (c)	92,409	74,768
Tributes claimed receivable, note 26	76,985	1,106
Advances to suppliers (d)	26,635	2,663
Judicial deposits (e)	6,255	7,187
Credits in favor for works for taxes	3,447	1,469
Loans to employees	1,005	346
Restricted funds	85	395
Invoices receivable for the sale of other inputs and fixed assets	-	1,176
Others	3,983	2,593
	210,804	**91,703**
Total	**271,731**	**166,616**
By maturity:		
Current	170,016	103,910
Non Current	101,715	62,706
Total	**271,731**	**166,616**

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

(c) As of September 30, 2018, and December 31, 2017, this item mainly comprises the credit for the general sales tax resulting from goods and services resulting from the exploration activities carried out by the subsidiaries in Peru and Brazil (Minera Sillustani SAC, Compañía Minera Barbastro SAC, Marcobre SAC and Mineração Taboca SA). In the case of the Marcobre subsidiary, if there is a balance of the tax credit for general sales tax, its refund or compensation will be requested under the balance in favor of the exporter on the basis of the export sales. In the opinion of the Group Management, the tax credit for general sales tax will be applied when offsetting the general tax on sales to be paid that will be generated by future sales made by the subsidiaries.

(d) As of September 30, 2018, this item mainly includes the advances made by subsidiary Marcobre S.A. as part of finance cost of its future financing. As of December 31,2017, this item included mainly the advances made by Minsur S.A. and its subsidiary MineraçãoTaboca to suppliers as part of development of optimization project of its productive process.

(e) As of September 30, 2018 and December 31, 2017, this item includes judicial deposits held by the subsidiary Mineração Taboca S.A. corresponding to processes that were liquidated through the Financing of debts of the tax administration of Brazil (REFIS) and that is expected the evolution of the revision initiated in 2014, by the Secretariat of the Federal Revenue of Brazil and by the Attorney General of the National Treasury of Brazil, so that the release and consequent lifting of the amounts deposited is required.

5. Inventories, net

(a) The item is composed of the following:

	As of 09.30.2018 US$(000)	**As of 12.31.2017** US$(000)
Materials and supplies	43,071	47,239
Work in progress, note 16	36,957	38,316
Finished products, note 16	31,100	22,409
Mineral extracted, note 16	4,248	3,829
Inventory in transit	2,351	3,649
	117,727	115,442
Impairment loss of inventories	(18)	(243)
Allowance for obsolescence	(4,780)	(5,121)
Total	**112,929**	**110,078**

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

6. Financial asset at fair value through profit and loss

(a) The financial assets include the following:

	As of 09.30.2018			
	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 (**Muzinich**)	81,600	887	-	82,487
Mutual funds with public quotation (**Black Rock**)	131,713	271	(131,984)	-
Total	**213,313**	**1,158**	**(131,984)**	**82,487**

	As of 12.31.2017 (Restructured)			
	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.

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

a. As of September 30, 2018, and December 31, 2017, the Group maintains an investment in BBVA shares of Spain for US$5,952,000 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.

b. As of September 30, 2018, and December 31, 2017, the Group has an investment in shares of Rímac Seguros y Reaseguros for US$22,711,000 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.

c. As of September 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.

d. 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.

e. The following is the investment movement:

	As of 09.30.2018						
	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)
BBVA España	14,845	-	(9,396)	-	503	-	5,952
Rimac	21,070	-	1,641	-	-	-	22,711
Certificates of deposit	40,000	-	44	339	-	-	40,383
Commercial papers	58,778	-	(26)	453	-	-	59,205
Certificates of public investment	2,935	-	-	-	-	(2,935)	-
Total	**137,628**	**-**	**(7,737)**	**792**	**503**	**(2,935)**	**128,251**

	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)
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**

f. As of September 30, 2018, the Group received dividends in cash from BBVA of Spain and Rímac 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.

g. As of September 30, 2018, the Group has not received dividends in share. (US$138,000 dividends in share at December 31, 2017).

h. The movement of the financial assets measured at fair value with change in other comprehensive income:

	As of 30.09.2018 US$(000)	**As of 31.12.2017** US$(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	(8,436)	9,795
Dividends	-	138
Interest earned by certificates of deposits	792	709
Final balance	**128,251**	**40,052**

8. Investment in affiliates -

(a) This item comprises the following:

	Interest in equity		Equity value	
	As of 09.30.2018	As of 12.31.2017	As of 09.30.2018	As of 12.31.2017
	%	%	US$(000)	US$(000)
Associates				
Inversiones Cordillera del Sur Ltda	73.94	73.94	283,940	285,494
Explosivos S.A.	10.95	10.95	12,161	12,610
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,164	5,203
Ending balance			**301,265**	**303,307**

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

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

	As of 09.30.2018	As of 09.30.2017
	US$(000)	US$(000)
Inversiones Cordillera del Sur	10,368	6,067
Explosivos S.A.	(317)	226
Futura Consorcio Inmobiliario S.A.	47	35
Rímac Seguros y Reaseguros	-	2,464
Servicios Aeronáuticos Unidos S.A.C.	-	(267)
Ending balance	**10,098**	**8,525**

9. Property, plant and equipment, net

(a) Following is the composition and activity of the item:

	Opening balance 12.31.2017 (Restated)	Additions	Disposals	Adjustments and reclassify	Translation	Ending balance 09.30.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost -						
Land	23,236	1	-	-	(235)	23,002
Buildings and installations	494,174	36	(2,594)	32,060	(22,280)	501,396
Machinery and equipment	393,205	933	(8,515)	8,879	(22,901)	371,601
Furniture, fixtures and computer equipment	13,083	8	(79)	610	(821)	12,801
Vehicles	12,415	-	(182)	129	(1,546)	10,816
Units to receive	-	21,094	-	-	2	21,096
Work in progress	152,236	178,892	(56)	(40,605)	(13,510)	276,957
Mine closure costs	97,692	-	(10,561)	11,946	(5,057)	94,020
	1,186,041	200,964	(21,987)	13,019	(66,348)	1,311,689
Accumulated Depreciation -						
Buildings and installations	248,907	27,452	(2,148)	-	(4,921)	269,290
Machinery and equipment	286,370	18,164	(6,205)	-	(16,240)	282,089
Furniture, fixtures and computer equipment	9,506	821	(69)	-	(594)	9,664
Vehicles	8,815	609	(337)	-	(1,077)	8,010
Work in progress	-	1,119	-	-	(124)	995
Mine closure costs	44,673	-	(3,797)	6,277	(507)	46,646
	598,271	48,165	(12,556)	6,277	(23,463)	616,694
Estimation of deterioration of properties, plant and equipment	(81,360)	-	-	-	14,348	(67,012)
Net cost	**506,410**					**627,983**

10. Intangible Assets, net

(a) Following is the composition and activity of the item:

	Opening balance 12.31.2017	Additions	Adjustments and transfer	Translation	Ending balance 09.30.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost:					
Mining concessions (b)	412,831	199	-	(15,239)	397,791
Mine development costs	84,004	14,367	-	-	98,371
Connection and easement rights	6,031	-	86	-	6,117
Usufruct of lands	4,866	232	(86)	(42)	4,970
Remediation asset	1,133	-	-	-	1,133
Licenses	1,048	607	-	(93)	1,562
	509,913	15,405	-	(15,374)	509,944
Accumulated amortization:					
Mining concessions (b)	18,216	258	(2,239)	(2,488)	13,747
Mine development costs	20,181	4,629	-	-	24,810
Connection and easement rights	1,990	264	42	-	2,296
Usufruct of lands	1,960	269	(42)	(5)	2,182
Remediation asset	1,133	60	-	-	1,193
Licenses	532	108	-	(76)	564
	44,012	5,588	(2,239)	(2,569)	44,792
Net cost	**465,901**				**465,152**

As of September 30, 2018, mining concessions and mining rights relate mainly to the Mineração Taboca S.A. and Mina Justa.

11. Rights of use

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

	Opening balance 12.31.2017	Additions	Disposals	Translation	Adjustments	Ending balance 09.30.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost						
Land and buildings	6,656	709	(540)	(42)	-	6,783
Machinery and equipment	45,786	17,147	(22,743)	(5,674)	436	34,952
Vehicles	7,623	911	(6,176)	-	-	2,358
Furniture and fixtures	39	36	(26)	-	-	49
	60,104	**18,803**	**(29,485)**	**(5,716)**	**436**	**44,142**
Accumulated Depreciation						
Land and buildings	1,764	748	(540)	(28)	-	1,944
Machinery and equipment	25,580	10,068	(22,743)	(2,285)	-	10,620
Vehicles	5,616	1,412	(6,176)	-	-	852
Furniture and fixtures	22	10	(26)	-	-	6
	32,982	**12,238**	**(29,485)**	**(2,313)**	**-**	**13,422**
Rights of use asset, net	**27,122**	**6,565**	**-**	**(3,403)**	**436**	**30,720**

12. Trade and others payable

(a) This item comprises the following:

	As of 09.30.2018 $(000)	As of 12.31.2017 $(000)
Trade payables (b):	**109,691**	**90,072**
Related parties, note 19	**13,670**	**7,565**
Other payables (C):		
Interest payable	19,233	27,509
Accounts payable for acquisition of non-controlling, note 1(c. 3)	16,924	16,433
Remuneration and Board's fees payable	15,010	7,701
Other taxes and contributions payable	13,031	13,205
Workers' profit sharing	6,805	16,164
Dividends payable	182	190
Payable due to acquisition of mining concessions	-	3,000
Others	3,338	1,879
	74,523	86,081
Total	**197,884**	**183,718**
By maturity:		
Current portion	167,660	152,077
Non-current portion	30,224	31,641
Total	**197,884**	**183,718**

(b) Trade accounts payable result from the purchases of material and supplies for the Group operation, and mainly correspond to invoices payable to 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.

13. Financial Obligations

(a) This item comprises the following:

Entity	Guarantee	Interest rate	As of 09.30.2018	As of 12.31.2017 (Restated)
			US$(000)	US$(000)
Corporate bonds, net of issuance costs (c)	No guarantee	6.25%	441,751	440,833
Citibank	Minsur Corporate	Libor 3 month +2.28%	74,700	75,264
Banco do Brasil	Export sales (100%)	4.10%	39,356	23,022
Bank Merrill	Export sales (100%)	4.00%	9,960	-
Banco Itaú	No guarantee	6.59%	-	19,299
Banco BBM	Export sales (100%)	6.00%	-	6,090
Banco Santos, note 23	Export sales (100%)	Rate CDI +2%	3,698	4,490
Banco Santander	Export sales (100%)	6.89%	1,992	-
Banco ABC Brasil	Export sales (100%)	7.48%	2,988	-
Bank of America	Export sales (100%)	5.01%	-	17,364
Financial instruments derived from coverage	---	---	12,628	476
Contract for leases (d)			30,749	25,068
Others financial obligations	---	---	5,580	3,772
			623,402	**615,678**
By maturity:				
Current portion			83,713	64,913
Non-current portion			539,689	550,765
			623,402	**615,678**

(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, 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 face 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.

(c) As of September 30, 2018, the Company maintains joint and several guarantees and a letter of credit guaranteeing the financing of its subsidiary Taboca.

(d) The non-current portion of the financial obligations held by the Company has the following maturities:

	As of 09.30.2018	**As of 12.31.2017 (Restated)**
	US$(000)	US$(000)
Lease liabilities (third parties)	19,477	17,425
Lease liabilities (Related parties, note 19)	11,272	7,643
Total	**30,749**	**25,068**
By maturity:		
Current portion	11,400	10,901
Non-current portion	19,349	14,167
	30,749	**25,068**

14. Provisions

As of September 30, 2018, and December 31, 2017, the item mainly includes the following:

	Provision for mine closure (b)	**Provision for environmental remediation (c)**	**Provision for contingency (d)**	**Provision for bonuses to employees**	**Total**
	US$(000)	**US$(000)**	**US$(000)**	**US$(000)**	**US$(000)**
As of January 1, 2017	104,026	60,913	5,527	9,963	180,429
Additions	6,953	-	2,953	11,182	21,088
Translation	(1,086)	(642)	(89)	(34)	(1,851)
Accretion	1,558	(1,808)	-	-	(250)
Change in estimates, note 10	9,742	2,589	-	-	12,331
Payments and advances	(5,582)	(8,678)	(14)	(7,944)	(22,218)
Reversals	-	-	(1,452)	(3,439)	(4,891)
As of December 31, 2017	**115,611**	**52,374**	**6,925**	**9,728**	**184,638**
Additions	11,946	-	1,569	8,398	21,913
Translation	(9,367)	(6,860)	(786)	(342)	(17,355)
Accretion	925	88	-	-	1,013
Change in estimates, note 10	(6,763)	(59)	-	-	(6,822)
Payments and advances	(224)	(2,020)	(541)	(9,224)	(12,009)
Reversals	(5,892)	(495)	(1,177)	(121)	(7,685)
As of September 30, 2018	**106,236**	**43,028**	**5,990**	**8,439**	**163,693**
By maturity:					
Current portion	3,515	8,725	2,237	9,213	23,690
Non-current portion	112,096	43,649	4,688	515	160,948

As of December 31, 2017	**115,611**	**52,374**	**6,925**	**9,728**	**184,638**
By maturity:					
Current portion	1,406	5,981	2,357	7,295	17,039
Non-current portion	104,830	37,047	3,633	1,144	146,654
As of September 30, 2018	**106,236**	**43,028**	**5,990**	**8,439**	**163,693**

(c) Accruals for environmental remediation and others: - includes environmental restoration activities for the operations of the Pitinga mine in Brazil carried out in previous years by the Paranapanema Group, former controller of Taboca (Subsidiary in Brazil). With the support of external specialists, Taboca has updated the environmental remediation provision of the Pitinga and Pirapora units as of September 30, 2018, which amounts to R $ 127,840,0000 equivalent to US $ 31,801,000 (R$ 130,744,000, equivalent to US $ 39,486,000 as of December 31 of 2017).

- Mainly includes environmental restoration activities in the Puno region related to the subsidiary Sillustani S.A.C. The environmental remediation liability amounts to US $ 9,623,000 as of September 30, 2018 (US $10,794,000 as of December 31, 2017) and includes dyke construction activities, improvement of drainage systems, water treatment, wetland rehabilitation, among others. works that will be executed during the years 2018 to 2019.

- It also includes liabilities generated by the contracts for usufruct of land and complementary rights subscribed with the Tinyacclla and Río de la Virgen Peasant Communities, through which the Group is granted the right to conduct exploration and mining activities for a term of 25 and 15 years, respectively.

The present value of the obligation as of September 30, 2018 for the usufruct contract with the Tinyacclla and Río de la Virgen Peasant Community amounts to approximately US $ 671,000 and US $ 211,000 (US $ 675,000 and US $ 209,000 as of December 31, 2017), respectively.

- Includes the obligation related to the restoration activities of the exploration area for the Mina Justa project, which is operated by subsidiary Marcobre and amounts to US $ 722,000, which includes activities such as earthmoving, revegetation works and the dismantling of all facilities.

(d) Provision for contingencies - This provision is made up of estimates of obligations for environmental contingencies that come from processes filed by the Agency for Environmental Assessment and Control (OEFA), the National Water Authority (ANA) and the Supervisory Body for Investment in Energy and Mining (OSINERGMIN) and labor contingencies.

15. Net Sales

(a) The composition and movements of deferred income tax are as follows:

	As of 09.30.2018 US$(000)	As of 09.30.2017 US$(000) Restated
Tin and other minerals	364,259	385,489
Gold	96,811	90,658
Niobium, tantalum and others	54,220	28,545
	515,290	504,692
Loss on derivative financial instruments	(733)	(1,079)
	514,557	503,613

a. Tin sales segment mainly includes the 3 most important customers and represent 40% of total sales as of September 30, 2018 (4 customers representing 39% as of September 30, 2017).

b. Gold sales segment mainly includes the 3 most important customers and represent 100% of total sales as of September 30, 2018 (3 customers representing 100% as of September 30, 2017).

c. Niobium and tantalum sales segment mainly includes the 3 most important customers and represent 57% of total sales as of September 30, 2018 (3 customers representing 62% as of September 30, 2017).

16. Cost of Sales

(a) The composition and movements of deferred income tax are as follows:

	As of 09.30.2018 US$(000)	**As of 09.30.2017** US$(000) **Restated**
Opening balance of finished product inventory, note 5	22,409	18,898
Opening balance of product in process inventory, note 5	38,316	45,435
Opening balance mineral extracted, note 5	3,829	450
	64,554	64,783
Services rendered by third parties	61,553	81,244
Consumption of raw material and miscellaneous supplies	67,046	52,086
Wages and salaries	69,837	70,703
Depreciation	51,067	43,167
Amortization rights of use	11,220	4,910
Purchase of mining services from AESA S.A.	17,517	23,137
Electricity	10,086	12,400
Purchase of explosives from Exsa S.A.	4,872	5,135
Amortization	3,112	7,133
Other manufacturing expenses	11,783	9,722
Allowance for obsolescence of materials and supplies, note 5	(341)	(1,395)
(Recovery) allowance for impairment of inventories, note 5	(225)	2,019
Production cost	307,527	310,261
Final balance of finished product inventory, note 5	(31,100)	(14,794)
Final balance of work in process inventory, note 5	(36,957)	(47,033)
Final balance mineral extracted, note 5	(4,248)	(6,404)
	(72,305)	(68,231)
Cost of sales	**299,776**	**306,813**

17. Financial income and expenses

These items include principal interest income from tax claims receivable amounting to US$ 43,103,000 (see note 26) and interest expenses on corporate bonds for US$ 21,476,000 as of September 30, 2018 (US$ 21,094,000 as of September 30, 2017).

18. Income Tax

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

	As of 09.30.2018	As of 09.30.2017
	US$(000)	US$(000)
		(restated)
Profit (loss) before income tax	**141,512**	**131,029**
At statutory income tax rate	(22,229)	(26,901)
Effect of permanent differences, net	(5,573)	(1,493)
Provision of tax losses	-	(13,907)
Effect of sales of Cumbres Andinas's shares (note 2.3a)	(29,726)	-
Tax credit	(11)	1,584
Participation in results from associates	(7,874)	(5,821)
Translation	(9,944)	5,407
Effect of mining royalties	2,180	3,676
Tax recovery, note 26	32,744	2,135
Income tax (expense) income	(40,433)	(35,320)
Mining royalties and special mining tax	(6,933)	(11,430)
Total	**(47,366)**	**(46,750)**

b) This expense arises from maintaining the US dollar as a functional currency for accounting purposes and soles for tax purposes.

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

	As of 09.30.2018	As of 09.30.2017
	US$(000)	US$(000)
Income tax		
Current	27,314	39,090
Deferred	13,119	(3,770)
	40,433	**35,320**
Mining royalties and special mining tax		
Current	7,389	12,462
Deferred	(456)	(1,032)
	6,933	**11,430**
Total of income tax	**47,366**	**46,750**

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

19. Related parties transactions

(a) Receivables and Payables

The balances of the receivable and payable with related parties as of September 30, 2018 and December 31, 2017 are as follow:

	As of 09.30.2018	As of 12.31.2017
	US$(000)	US$(000)
Receivable (current):		
Rimac Seguros y Reaseguros	1,310	1,002
Compañía Minera Raura S.A.	80	1,968
Administración de Empresas S.A.	15	246
Clínica Internacional S.A.	12	-
Exsa S.A.	3	
Others	-	52
	1,420	**3,268**

	As of 09.30.2018	As of 12.31.2017
	US$(000)	US$(000)
Payables (current):		**(restated)**
Administración de Empresas S.A.	13,240	8,800
Rímac Seguros y Reaseguros	4,548	2
Inversiones San Borja S.A	4,304	4,867
Exsa S.A.	2,230	855
Clínica Internacional S.A.	403	380
Rímac S.A. Entidad Prestadora de Salud	136	158
Compañía Minera Raura S.A	33	32
Inversiones Nacionales de Turismo S.A.	24	37
Centria Servicios Administrativos S.A.	19	24
Corporación Peruana de Productos Químicos S.A.	4	-
Protección Personal S.A.C.	-	24
Corporación Materiales Piura S.A.C.	1	-
Estratégica S.A.C.	-	28
Bodegas Viña de Oro	-	1
	24,942	**15,208**

Balances payable to related companies have a current maturity, do not accrue interests and lacks specific securities

20. Earnings per share (EPS)

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

	As of 09.30.2018	As of 09.30.2017
	$(000)	$(000)
Numerator -		**(restated)**
Net income attributable to the owners of the Parent	97,651	84,281

	Number of share	Number of share
Denominator -		
Common stock shares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Profit (loss) per stock share		
Basic diluted - US$ per common share	3.390	2.920
Basic and diluted - US$ per investment share	0.030	0.030

21. Tax Situation

(a) Peruvian Tax -
In September 2018, the Government has made changes to the Income Tax Regime, which will start in 2019. Among the changes are:

- New limitations for the deduction of interest on loans and exceptions to these limitations.

- The accrual is defined in terms of income and it is regulated in detail when dealing with the sale of goods, provision of services that are executed over time, temporary assignment of goods for a fixed term, obligations not to do, the transfer of credits, expropriations and transactions different from the previous indemnities and interests. It considers the application of IFRS 15 only for the definition of control in the transfer of goods.

- Special rules are established for the accrual of income and losses of derivative financial instruments and the assumptions are established in which it is not possible to ignore, decrease or defer income.

- Certain conditions and limits are determined, the recognition of the right that will have a domiciled legal entity that has received dividends from abroad, to deduct the income tax paid by the non-domiciled companies that has distributed the dividends. In this regard, rules have been established according to which the amount to be deducted must be determined as a tax paid abroad. In addition, conditions and limitations have been established for the deduction of said tax.

(b) Tax Situation

Minsur S.A

The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2013 to 2018 and value added tax (VAT) for the years 2013 to 2018 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2011, and the value added tax and value added tax for the years 2000 to December 2008.

Due to the possible interpretations that the tax authorities can give to the legal norms in force, it is not possible to determine to date if the revisions that are made will be passive or not for the Company, therefore any higher tax or surcharge that may result of eventual fiscal reviews would be applied to the results of the fiscal year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any eventual additional tax settlement would not be significant for the consolidated financial statements as of September 30, 2018 and 2017.

Brazilian subsidiaries -

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of September 30, 2018, and December 31, 2017, the income tax rate is 34% of taxable income. Cash dividends in favor of non-domiciled shareholders are not taxed. The years open of review are from 2013 to 2017.

The tax loss carry forward determined by Mineração Taboca S.A. as of September 30, 2018 amounts to US$380,725,000 (US$399,759,000 as of December 31, 2017). The subsidiary has decided to recognize an asset for deferred income tax related to the tax loss carry forward only for the part in which it will be recoverable.

The tax loss does not expire according to Brazilian tax regime, but its offsetting is limited to 30% of the taxable income of each future period.

Peruvian subsidiaries –

In the case of Marcobre, the tax authorities have the power to review and, if applicable, correct the income tax calculated by the Group in the four years after the year of filing the tax return. The affidavits of the Income Tax for the years 2016 to 2017 and the General Sales Tax for the periods 2013 to 2018 are pending review by the tax authorities.

In the other subsidiaries, the tax returns for the years 2013 to 2017 and the General Sales Tax for the years 2013 to 2018 are pending review by the tax authorities.

As of September 30, 2018, and 2017, the tax losses of the Peruvian subsidiaries are as follow:

	As of 09.30.2018	**As of 09.30.2017**
	US$(000)	US$(000)
Marcobre S.A.C.	112	17,274
Cumbres Andinas S.A.	2,670	2,952
Minera Sillustani S.A.C.	11,271	2,820
Compañía Minera Barbastro S.A.C.	11,634	1,366
Minera Latinoamericana S.A.C.	159	115

As of September 30, 2018, these subsidiaries, with the exception of Marcobre, have not recognized deferred income tax asset originated by the tax loss carry forward by US$7,840,000 (US$7,268,000 as of December 31, 2017), because management has no certainty about the future realization of such tax losses.

(c) Transfer pricing-
For the purposes of determining current income tax, the prices and amounts of those consideration that have been agreed upon in transactions between related parties or that are carried out from, to or through countries or territories of low or zero taxation, must have documentation and information to support the valuation methods and criteria applied in their determination. The Tax Administration is entitled to request this information from the Group. Based on the analysis of the Group's operations, Management and its legal advisors are of the opinion that, as a consequence of the application of these rules, no material contingencies will arise as of September 30, 2018 and 2017.

(d) Legal stability agreement –
On December 9, 2016, the subsidiary Marcobre S.A.C. signed a Legal Stability Agreement with the Agency for the Promotion of Private Investment - PROINVERSION, respectively, through which it undertakes to issue shares in favor of its Principal (Cumbres Andinas SAC) for US $ 135,300,000 within a period not exceeding two years. will be destined to expand the productive capacity of the subsidiary Marcobre SAC and for the one that obtains the stabilization of the regime of the income tax and of the regimes of hiring of workers, in force at the date of subscription of the agreement. This agreement has a validity of 10 years counted from the date of its subscription. As of September 30, 2018, the subsidiary Marcobre S.A.C. maintains the income tax rates described above.

22. Commitments

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

(b) Law of Mine Closure in Peru -
On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", which purpose is to regulate the obligations and procedures that mining companies should comply for the elaboration, filling and implementation of the Mine Closure Plan, as well as to require the establishment of environmental guarantees to secure fulfillment of

related mine closure plan. The corresponding ruling was approved on August 15, 2005 by means of Supreme Decree No.033-2005-EM.

Minsur S.A.
As of September 30, 2018, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US$59,793,000 (US$62,482,000 as of December 31, 2017).

Compañía Minera Barbastro S.A.C.
As of September 30, 2018, the provision for mine closure of the Marta unit amounts to US $ 2,843,000 equivalent to S/627,000 (US$193,000 equivalent to S/627,000 as of December 31, 2017).

Mineração Taboca S.A.-
In compliance with the current environmental regulations in Brazil, Taboca has recorded a provision for *closure* of operations of Pitinga unit for US$43,600,000 as of September 30, 2018 (US$52,936,000 as of December 31, 2017).

Environmental remediation
Marcobre S.A.
As of December 31, 2017, the Mina Justa project has been under exploration and definition stage (in feasibility stage until December 31, 2016); therefore, the subsidiary submitted to the *Direccion General de Asuntos Ambientales Mineros* a closure plan for the exploration activities that was approved under the resolution N°335-2013/MEM/AAM on September 3, 2013. Given this closure plan as of September 30, 2018 and December 31, 2017, the Group maintains an environmental liability to US$722,000 and U$1,210,000, respectively.

Minera Sillustani S.A.C.
The subsidiary has an Environmental liability Closure Plan approved by Ministry of Mines and Energy (MINEM) through the resolution N°154-2009-MEM, June 10, 2009, which also included a change in schedule of activities, approved through the resolution N° 354-2010-MEM/AAM on November 2, 2010. The Environmental liability Closure Plan of Mina Regina is focused on establishing the appropriate measures to remediate the liability as part of the project.

The closure plan for mining environmental liabilities of the subsidiary has been prepared in compliance with Law N ° 28271 "Law that Regulates the Environmental Liabilities of Mining Activity" as amended by Law N ° 28526, and its rules, Supreme Decree N ° 059-2005-EM, modified by Supreme Decree N ° 003-2009-EM. Likewise, it has been developed regarding the Guide for the Preparation of Mining Environmental Liability Closure Plans of the MINEM.

In order with this obligation, on December 29, 2016, the Group submitted to the Ministry of Energy and Mines the Closure Plan of Mina Regina, which was subscribed in *Directorial Resolution No. 117-2017-MEM-DGAAM* of the April 17, 2017.

As of September 30, 2018, the provision for environmental liability reached U$9,623,000 (US$ 10,794,000 as of December 31,2017).

(c) Community Support Agreement-

Compañía Minera Barbastro S.A.C.
On November 28, 2008, the subsidiary signed a commitment with the Comunidad Campesina de Tinyacclla, to carry out social and /or sustainable development works during the period in which it conducts its exploration and exploitation activities on Community land, on the basis of the following budget:

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

Minera Sillustani S.A.C.
On September 17, 2009, the subsidiary signed a commitment with the *Comunidad Campesina de Rio de la Virgen* to carry out social and /or sustainable development works during the period in which it carries out its exploration and exploitation activities on the lands of the Community, based on the following budget:

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

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

(i) From the first to the fifth year: US $ 36,000 per year.
(ii) From the sixth to the tenth year: US $ 43,200 per year.
(iii) From the eleventh to the fifteenth year: US $ 51,840 per year.
(iv) From the sixteenth to the twentieth year: US $ 62,208 per year.

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

(d) Participation of the Company in the financing in favor of the subsidiary Marcobre S.A.C.
On August 14, 2018, the Board of Directors of Minsur S.A. agreed to approve its participation and the signing of the contract called "Completion Agreement", under which the Company supports the obligations of its subsidiaries Marcobre S.A.C. and Cumbres Andinas S.A.C., as part of the process to secure financing for approximately US $ 900,000,000 from the Mina Justa project.

23. Contingencies

Peruvian entities -

(a) As a result of the tax reviews made to the years from 2000 to 2010, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/101,646,000 (equivalent to US$31,046,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution. Management and its legal advisors estimate that this appeal will be favorable resolved in the interests of the Group.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of September 30, 2018, the accumulated payments under protest amounted to US$18,608,000 (US$18,517,000 as of December 31, 2017). The Group will recognize these contingencies when its collection will be virtually certain.

(b) The Tax Court has notified Resolution No. 04937-9-2018, which resolves, among others, the claim for payment in excess of the Income Tax for the year 2002 referred to in section (b) of note

31 Contingencies of the Audited Consolidated Financial Statements as of December 31, 2017, which has been declared founded.

(c) Sanctioning administrative processes -

As of September 30, 2018, and in previous years, the Group has received several notifications from the Agency for Environmental Assessment and Control (OEFA), Ministry of Production (PRODUCE) and Supervisory Body for Investment in Energy and Mining (OSINERGMIN), respectively. These notifications are related to infractions for breaches of procedures of the rules of protection and conservation of the environment and the safety and health standards of mining. In relation to these notifications, the Group has presented its disclaimers on the observations made, pending that OEFA, PRODUCE and OSINERGMIN issue their pronouncements regarding the appeals filed.

Brazilian entities –
Mineração Taboca S.A. and subsidiary maintain labor, tax and other contingencies that have been classified as possible. The main possible contingencies are detailed below:

(a) Lawsuit with Banco Santos
Mamoré, the subsidiary of Taboca, is involved in five lawsuits initiated by Banco Santos, Fund Basa de Investimento Financiero and Mellon Aroveredo Fundo de Investimento Multimercado Previdenciario (Mellon Aroveredo) in relation to an alleged failure to pay credit agreements originally signed with Banco Santos during the years 2005 to 2007. These eight claims include three lawsuits in which it is jointly involved with Mamoré, the former parent company Paranapanema. As of December 31, 2017, all these claims, in the opinion of the Group's and Management's legal advisors, the remaining claims have a risk of loss classified as possible and amount to approximately R$95,138,000 (equivalent to approximately US$25,517,000), as of September 30, 2018.

(b) Civil, Labor and tax proceedings -
Taboca and its subsidiaries keep civil, labor and tax processes that involve risk of potential losses according to the assessment made by management and its legal counsel, consequently for those possible contingencies were not made any provision which amount to R$6,273,000, R$15,930,000 and R$23,611,000, respectively (equivalent to approximately US$1,630,000, US$4,138,000 and US$6,134,000) as of September 30, 2018, (R$6,273,000, R$15,930,000 and R$23,611,000, respectively (equivalent to approximately US$1,630,000, US$4,138,000 and US$6,134,000) as of December 31, 2017.

As of September 30, 2018, in opinion of management and its external legal counsel, the resolution of tax, labor, civil and other contingencies, classified as possible contingencies would not result in additional liabilities to those already recorded by the Group.

24. Derivative financial instruments

The volatility of tin during the last years has caused that the Group Management decides to sign contracts of collars of options at zero cost. These contracts aim to reduce the volatility of cash flows attributable to the fluctuation in the price of tin.

25. Segmented Data

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

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

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

The aggregation of the mentioned segments, with the exception of the segment "Production and sale of cement and concrete in Chile", constitute the "aggregate mining segment".

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

	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brazil) US$(000)	Mining exploration (Perú) US$(000)	Total Consolidated US$(000)
As of September 30, 2018						
Results:						
Net sales	265,777	96,811	362,588	152,703	-	515,291
Loss in derivative financial instruments	-	-	-	(734)	-	(734)
Cost of sales	(128,609)	(53,724)	(182,333)	(117,443)	-	(299,776)
Gross margin	137,168	43,087	180,255	34,526	-	214,781
Operating expenses						
Administrative expenses	(18,986)	(7,867)	(26,853)	(9,845)	(4,298)	(40,996)
Selling expenses	(2,523)	(945)	(3,468)	(2,100)	-	(5,568)
Exploration and evaluation expenses	(18,599)	(1,992)	(20,591)	-	(7,013)	(27,604)
Other expenses, net	(258)	(108)	(366)	(320)	(596)	(1,282)
Total operating expenses	(40,366)	(10,912)	(51,278)	(12,265)	(11,907)	(75,450)
Operating income	96,802	32,175	128,977	22,261	(11,907)	139,331
Depreciation and amortization (included in costs and expenses)	(15,332)	(24,988)	(40,320)	(12,980)	(453)	(53,753)
Amortization of Right of Use	(4,605)	(1,677)	(6,282)	(5,956)	-	(12,238)

	Tin (Perú)	Gold (Perú)	Total (Perú)	Tin (Brazil)	Mining exploration (Perú)	Total Consolidated
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
As of September 30, 2017						
Results:						
Net sales	282,065	90,658	372,723	131,969	-	504,692
Loss in derivative financial instruments	-	-	-	(1,079)	-	(1,079)
Cost of sales	(126,864)	(49,601)	(176,465)	(130,348)	-	(306,813)
Gross margin	155,201	41,057	196,258	542	-	196,800
Operating expenses						
Administrative expenses	(16,434)	(6,437)	(22,871)	(9,146)	(3,251)	(35,268)
Selling expenses	(1,759)	(152)	(1,911)	(1,919)	-	(3,830)
Exploration and evaluation expenses	(19,597)	(909)	(20,506)	-	(6,267)	(26,773)
Other expenses, net	11,231	4,384	15,615	(797)	81	14,899
Total operating expenses	(26,559)	(3,114)	(29,673)	(11,862)	(9,437)	(50,972)
Operating income	128,642	37,943	166,585	(11,320)	(9,437)	145,828
Depreciation and amortization (included in costs and expenses)	(13,612)	(20,990)	(34,602)	(15,849)	(2,652)	(53,103)
Amortization of right of use	(4,740)	(1,524)	(6,264)	(6,108)	-	(12,372)

26. Events after the reporting period

In accordance with Resolution No. 04937-9-2018, on October 5, 2018, through resolutions of Intendency N° 012-180-0017562 and 012-180-0017563, it has been established to return the amounts of S/. 202'018,000 (equivalent to USD 61,999,000) and S/.48'417,305 (equivalent to USD 14,859,000) in favor to the Group, respectively; amounts that have been incorporated in the Consolidated Financial Statements in accordance with the International Financial Reporting Standards.