Minsur S.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of June 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 definition stage (the definition stage begins once the feasibility of the mining project is approved). The General Meeting of Shareholders of the company of April 23, 2018 approved the sale of 40 percent of its shares in Cumbres Andinas S.A.C. to Alxar International SPA, this transaction was completed on May 31, 2018.

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, whose estimated investment amount is US$1,500 million and have an estimated average annual production of 162,000 tons of copper concentrate and 42,000 tons of copper cathodes, which is expected to be achieved from 2020 or beginning of 2021.

(b.2) Tin tailings project B2

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

(c) Corporate reorganization

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

In the General Shareholders' Meeting of Marcobre S.A.C. celebrated at July 10, 2017, the merger by absorption between Marcobre S.A.C. (absorbing company) and CA Resources S.A.C. and subsidiaries, 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, the new company (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 company 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) on September 30, 2023. As of June 30, 2018, the present value of the liabilities of US $ 25,000,000 is US $ 17,153,000 (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			
	June 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 mining company Marcobre S.A.C. mining sector company that is in the exploration stage and definition 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 $ 39,832,000 in other equity reserves in its equity as of June 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 feasibility 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 June 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 correct interpretation of the consolidated financial statements in accordance with IFRS, these should be read in conjunction with the consolidated financial statements.

2.2 Changes in accounting policies

Regarding the new regulations issued, IFRS 15 "Revenue from 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 incorpored the impacts that was released during the adoption of these new standards in its financial statements as of June 2018.

The description of the main changes and the impacts estimateds 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.

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 holds investments in equity instruments in BBVA Spain and in Rímac Seguros and Reaseguros, classified as at fair value through profit or loss. With the application of IFRS 9, the 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:

1. Accounts receivable from sales with a provisional price recognized at amortized cost required impairment evaluation. With the application of IFRS 9, these items will be measured at fair value with changes in results, so that the impairment assessment will no longer be required.

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

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 policie 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:

Minsur S.A. and Subsidiaries
Notes to the consolidated interim financial statements (unaudited)
As of June 30, 2018, and 2017

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
Ohet financial assets	157,785	-	-	-	157,785
Trade receivables and others	98,937	(262)			98,675
Inventory, net	100,215	-	-	-	100,215
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
Ohet financial assets	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	-	-	-	19,293	19,293
Balance in favor of income tax	183	-	-	-	183
Deferred income tax asset, net	85,795	-	-	112	85,907
Total non-current assets	1,530,597	-	-	19,405	1,550,002
Total assets	2,162,369	(262)	-	19,405	2,181,512
Liabilities					
Current portion of financial obligations	112,433	(165)	-	-	112,268
Trade payables and others	141,798	-	-	-	141,798
Income taxes Payable	9,319	-	-	-	9,319
Provisions	33,959	-	-	-	33,959
Total current liabilities	297,509	(165)	-	-	297,344
Non-current portion of financial obligations	444,730	-	-	19,642	464,372
Trade and other payables	39,450	-	-	-	39,450
Deferred earnings tax liability	38,272	-	-	-	38,272
Provisions	146,470	-	-	-	146,470
Total current liabilities	668,922	-	-	19,642	688,564
Total liabilities	966,431	(165)	-	19,642	985,908
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	-	(237)	278,239
Total equity	1,195,747	(97)	-	(237)	1,195,413
Participation of non-controlling shareholders	191	-	-	-	191
Total equity and liabilities	2,162,369	(262)	-	19,405	2,181,512

Minsur S.A. and Subsidiaries
Notes to the consolidated interim financial statements (unaudited)
As of June 30, 2018, and 2017

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

Consolidated statement of financial situation	**Ending balance (audited)**	**IFRS 9**	**IFRS 15**	**IFRS 16**	**Ending balance (restated)**
Assets	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**	**US$ (000)**
Current assets					
Cash and cash equivalents	240,481	-	-	-	240,481
Ohet financial assets	204,580	(1,099)	-	-	203,481
Trade receivables and others	103,423	985	-	-	104,408
Inventory, net	110,078	-	-	-	110,078
Deferred income tax asset, net	345	-	-	-	345
Ohet assets	1,965	-	-	-	1,965
Total current assets	660,872	(114)	-	-	660,758
Non-current assets					
Trade receivables and others	62,706	-	-	-	62,706
Ohet financial assets	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	-	-	-	23,609	23,609
Deferred earnings tax asset	136,744	34	-	217	136,995
Total non-current assets	1,608,929	34	-	22,751	1,631,714
Total assets	2,269,801	(80)	-	22,751	2,292,472
Liabilities					
Current portion of financial obligations	70,358	-	-	2,192	72,550
Trade and other payables	151,385	-	-	(1)	151,384
Income taxes Payable	4,354	-	-	-	4,354
Provisions	23,690	-	-	-	23,690
Total current liabilities	249,787	-	-	2,191	251,978
Non-current portion of financial obligations	520,252	-	-	21,033	541,285
Trade and other payables	31,641	-	-	-	31,641
Deferred earnings tax liability	102,189	-	-	13	102,202
Provisions	160,948	-	-	-	160,948
Total current liabilities	815,030	-	-	21,046	836,076
Total liabilities	1,064,817	-	-	23,237	1,088,054
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)	-	(227)	-166,436
Results accumulated	290,903	3,780	-	(259)	294,424
Total equity	1,204,814	(80)	-	(486)	1,204,248
Participation of non-controlling shareholders	170	-	-	-	170
Total equity and liabilities	2,269,801	(80)	-	22,751	2,292,472

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

Consolidated statement of profit or loss	As of June 2017 (non audited)	IFRS 9	IFRS 15	IFRS 16	As of June 2017 (restated)
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Net sales	326,789	17	(565)	-	326,241
Cost of sales	(202,104)	-	-	30	(202,074)
Gross margin	124,685	17	(565)	30	124,167
Selling expenses	(2,855)	-	565	-	(2,290)
Administrative expenses	(22,239)	-	-	181	(22,058)
Other income, net	4,699	-	-	-	4,699
Other expenses, net	(27,206)	-	-	2	(27,204)
Operating profit	77,084	17	-	213	77,314
Income and expenses finance	(17,071)	(138)	-	(436)	(17,645)
Loss (gain) from investments in associates, net	(7,737)	-	-	-	(7,737)
Exchange difference, net	(4,658)	-	-	(68)	(4,726)
Gain (loss) from financial assets at fair value through profit or loss	1,283	713	-	-	1,996
Profit before income tax	48,901	592	-	(291)	49,202
Income tax	(25,476)	(264)	-	140	(25,600)
Profit (loss) for the period	23,425	328	-	(151)	23,602

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

Consolidated statement of other comprehensive income	As of June 2017 (non audited)	IFRS 9	IFRS 15	IFRS 16	As of June 2017 (restated)
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Profit for the period	23,425	328	-	(151)	23,602
Cash flow hedge	2,039	-	-	-	2,039
Exchange differences on translation	(549)	-	-	-	(549)
Unrealized results of available for sale investments	1,308	(316)	-	-	992
Unrealized results of other investments	10,943	-	-	-	10,943
Total other comprehensive income	13,741	(316)	-	-	13,425
Total comprenhensive income for the period	37,166	12	-	(151)	37,027

In addition, the application of IFRS 16 resulted in changes in the presentation of the consolidated statement of cash flows for the first six months ended June 2017. Payments from January to June 2017 for leases amount to US $ 6,270,000 and were presented originally as part of the operating activities, with the change originated by IFRS 16, these are presented in the state consolidation of cash flows restated as part of financing activities.

3. Cash and cash equivalents

(a) This item comprises the following:

	As of 06.30.2018	As of 12.31.2017
	US$(000)	US$(000)
Cash on hand and petty cash	21	10
Cash demand deposits (b)	65,501	34,381
Overnight deposits (c)	49,279	101,377
Time deposits (d)	74,542	103,818
Certificates of bank deposits (e)	5,067	895
Balance considered in the consolidated statements of cash flow	**194,410**	**240,481**
Time deposits with original maturities greather than 90 days	270,448	160,444
Total	**464,858**	**400,925**

(b) As of June 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 June 30, 2018, and December 31, 2017, these deposits earned interest at market interest rates.

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

(f) 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:

	As of 06.30.2018	As of 12.31.2017
	US$(000)	US$(000)
Trade:		**(restated)**
Invoices receivable	63,710	72,143
	63,710	**72,143**
Related parties, note 19	**3,706**	**3,268**
Other receivables:		
Value added tax credit and other tax credits (d)	79,359	74,768
Judicial deposits	6,359	7,187
Advances to suppliers	7,828	2,663
Restricted funds	582	395
Credits in favor for works for taxes	2,747	1,469
Loans to employees	2,439	346
Invoices receivable for the sale of other inputs and fixed assets	-	1,176
Others	3,678	3,699
	102,992	**91,703**
Total	**170,408**	**167,114**
By maturity:		
Current	101,307	104,408
Non Current	69,101	62,706
Total	**170,408**	**167,114**

(b) As of June 30, 2018, and December 31, 2017, the trade receivables are interest free and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Group's management constantly evaluates market conditions, and uses the aging assessment of trade operations.

(c) As of June 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 June 30, 2018, and December 31, 2017, this item mainly includes the advances made by Minsur S.A. and its subsidiary Mineração Taboca S.A. to its suppliers for the development of the optimization project of its productive process.

(e) As of June 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 06.30.2018 US$(000)	**As of 12.31.2017** US$(000)
Finished products, note 17	22,244	22,409
Work in progress, note 17	35,145	38,316
Materials and supplies	42,197	47,239
Mineral extracted, note 17	6,290	3,829
Inventory in transit	2,722	3,649
	108,598	115,442
Impairment loss of inventories	(2)	(243)
Allowance for obsolescence	(4,899)	(5,121)
Total	**103,697**	**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 06.30.2018			
	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	(170)	-	81,430
Mutual funds with public quotation (**Black Rock**)	131,713	271	(131,984)	-
Total	**213,313**	**101**	**(131,984)**	**81,430**

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

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

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

(a) As of June 30, 2018, and December 31, 2017, the Group maintains an investment in BBVA shares of Spain for US$6,608,000 and US$7,792,000, respectively. BBVA of Spain is an entity of recognized prestige in the international market, so it has a very low level of risk.

As of June 30, 2018, and December 31, 2017, the Company has an investment in shares of Rímac Seguros y Reaseguros for US$27,141,000 and US$29,325,000, respectively. Rímac Seguros y Reaseguros is an entity of recognized prestige in the national market, which is part of the Breca Group, and has a very low level of risk.

(b) As of June 30, 2018, and December 31, 2017, the fair value of the investments classified as a financial asset at fair value through profit or loss has been determined on the basis of its price on the Madrid and Lima Stock Exchange, respectively.

(c) The fair value of non-public-priced deposit certificates was estimated on the basis of discounted cash flows using market rates available for debt instruments of similar conditions, maturity and credit risk.

(d) The following is the investment movement:

	As of 06.30.2018						
	Cost	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	-	(8,740)	-	503	-	6,608
Rimac	21,070	-	6,071	-	-	-	27,141
Certificates of deposit	40,000	-	97	83	-	-	40,180
Commercial papers	58,778	-	9	70	-	-	58,857
Certificates of public investment	2,935	-	-	-	-	(2,935)	-
Total	**137,628**	**-**	**(2,563)**	**153**	**503**	**(2,935)**	**132,786**

	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**

(e) As of June 30, 2018, the Company 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.

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

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

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

8. Investment in affiliates -

(a) This item comprises the following:

	Interest in equity		Equity value	
	As of 06.30.2018	As of 12.31.2017	As of 06.30.2018	As of 12.31.2017
	%	%	US$(000)	US$(000)
Associates				
Inversiones Cordillera del Sur Ltda	73.94	73.94	299,944	285,494
Explosivos S.A.	10.95	10.95	12,424	12,610
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,182	5,203
Rímac Seguros y Reaseguros	-	14.51	-	-
Servicios Aeronáuticos Unidos S.A.C.	-	47.50	-	-
Ending balance			**317,550**	**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 06.30.2018	As of 12.31.2017
	US$(000)	US$(000)
Inversiones Cordillera del Sur	9,439	5,710
Explosivos S.A.	(40)	75
Futura Consorcio Inmobiliario S.A.	29	22
Rímac Seguros y Reaseguros	-	(13,258)
Servicios Aeronáuticos Unidos S.A.C.	-	(286)
Ending balance	**9,428**	**(7,737)**

Minsur S.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of June 30, 2018, and 2017

9. Property, plant and equipment, net

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

	Opening balance 01.01.2018	Additions	Disposals	Adjustments and reclassific.	Translation	Ending balance 06.30.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost -						
Land	23,236	18	-	-	(186)	23,068
Buildings and installations	494,174	-	(2,594)	22,041	(17,098)	496,523
Machinery and equipment	394,278	539	(7,053)	6,416	(18,170)	376,010
Furniture, fixtures and computer equipment	13,083	8	(54)	494	(650)	12,881
Vehicles	12,415	-	(392)	77	(1,206)	10,894
Units to receive	-	9,125	-	-	1	9,126
Work in progress	152,236	103,222	(194)	(29,028)	(12,215)	214,021
Mine closure costs	97,692	-	-	11,071	(3,971)	104,792
	-	-	-	-	-	-
	1,187,114	112,912	(10,287)	11,071	(53,495)	1,247,315
Accumulated Depreciation -						
Buildings and installations	248,907	16,498	(2,148)	-	(3,850)	259,407
Machinery and equipment	286,370	11,786	(5,297)	-	(12,874)	279,985
Furniture, fixtures and computer equipment	9,506	556	(44)	-	(472)	9,546
Vehicles	8,815	424	(338)	-	(849)	8,052
Vehicles	-					-
Mine closure costs	44,673	-	-	3,763	(369)	48,067
	598,271	29,264	(7,827)	3,763	(18,414)	605,057
	(81,360)	-	-	-	11,380	(69,980)
Net cost	**507,483**					**572,278**

10. Intangible Assets, net

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

	Opening balance 01.01.2018	Additions	Adjustments and transfer	Translation	Ending balance 06.30.2018
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost					
Mining concessions	412,831	198	-	(12,055)	400,974
Mine development costs	84,004	11,512	-	-	95,516
Connection and easement rights	6,031	-	86	-	6,117
Usufruct of lands	4,866	232	(86)	(22)	4,990
Remediation asset	1,133	-	-	-	1,133
Licenses	1,048	411	-	(74)	1,385
	509,913	12,352	-	(12,151)	510,114
Accumulated amortization:					
Mining concessions	18,216	(2,760)	-	(1,835)	13,621
Mine development costs	20,181	3,032	-	-	23,213
Connection and easement rights	1,990	155	42	-	2,187
Usufruct of lands	1,960	170	(42)	(4)	2,084
Remediation asset	1,133	39	-	-	1,172
Licenses	532	69	-	(60)	541
	44,012	705	-	(1,899)	42,818
Net cost	**465,901**				**467,296**

As of June 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:

	Openning balance 01.01.2018	Additions	Disposals	Traslation	Adjustments	Ending balance 30.06.2018
Cost						
Land and buildings	6,657	713	(540)	(36)	-	6,794
Machinery and equipment	32,630	9,324	(8,354)	(4,474)	2,292	31,418
Vehicles	7,623	911	(2,075)	-	-	6,459
Furniture and fixtures	39	36	(26)	-	-	50
	46,949	**10,984**	**(10,995)**	**(4,510)**	**2,292**	**44,721**
Accumulated Amortization						
Land and buildings	1,764	503	(540)	(21)	-	1,707
Machinery and equipment	15,938	4,997	(8,354)	(1,500)	-	11,080
Vehicles	5,616	1,138	(2,075)	-	-	4,678
Furniture and fixtures	22	7	(26)	-	-	3
	23,340	**6,644**	**(10,995)**	**(1,521)**	**-**	**17,468**
Rights of use, net	**23,609**	**4,340**	**-**	**(2,989)**	**2,292**	**27,252**

12. Trade and others payable

(a) This item comprises the following:

	As of 06.30.2018	As of 12.31.2017
	$(000)	$(000)
Trade payables (b):	**94,173**	**90,072**
Related parties, note 19	**8,146**	**7,565**
Other payables (b):		
Interest payable	26,437	26,816
Accounts payable for acquisition of non-controlling, note 1(c. 3)	17,153	16,433
Other taxes and contributions payable	11,493	13,205
Remuneration and Board's fees payable	14,937	7,701
Workers' profit sharing (c)	2,296	16,164
Dividends payable	187	190
Payable due to acquisition of mining concessions (d)	3,000	3,000
Others	22,353	1,879
	97,856	85,388
Total	**200,175**	**183,025**
By maturity:		
Current portion	169,406	151,384
Non-current portion	30,769	31,641
Total	**200,175**	**183,025**

(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 06.30.2018	As of 12.31.2017
			US$(000)	US$(000)
Corporated bonds, net of issuance costs (c)	No guarantee	6.25%	441,428	440,833
Citibank	Minsur Corporate	Libor 3 month +2.28%	75,123	75,264
Banco do Brasil	Export sales (100%)	4.10%	32,324	23,022
Bank Merrill	Export sales (100%)	4.00%	10,016	-
Banco Itaú	No guarantee	6.59%	8,013	19,299
Banco BBM	Export sales (100%)	6.00%	6,010	6,090
Banco Santos	Export sales (100%)	Tasa CDI +2%	3,862	4,490
Banco Santander	Export sales (100%)	6.89%	3,506	-
Banco ABC Brasil	Export sales (100%)	7.48%	3,005	-
Bank of America	Export sales (100%)	5.01%	-	17,364
Financial instruments derived from coverage	---	---	13,466	476
Others financial obligations	---	---	3,492	3,772
			600,245	**590,610**
By maturity:				
Currrent portion			79,832	70,358
Non-current portion			520,413	520,252
			600,245	**590,610**

(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 June 30, 2018, the Compeny 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:

Year	As of 06.30.2018 US$(000)	As of 12.31.2017 US$(000)
2020	3,862	4,490
2022	75,123	74,930
2024	441,428	440,832
	520,413	**520,252**

14. Lease liabilities

(a) This item comprises the following:

	As of 06.30.2018 US$(000)	As of 12.31.2017 US$(000)
Lease liabilities (third parties)	2,458	1,768
Lease liabilitie (Related parties, note 19)	4,604	21,457
Total	**7,062**	**23,225**
By maturity:		
Current portion	1,561	2,192
Non-current portion	5,501	21,033
Total	**7,062**	**23,225**

15. Provisions

As of June 30, 2018, and December 31, 2017, the item mainly includes the provision for mine closure, provision for environmental remediation, contingencies and performance bonuses. The increase in the line corresponding mainly to the higher provision for closing of mines.

16. Net Sales

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

	As of 06.30.2018 US$(000)	As of 06.30.2017 US$(000) Restated
Tin and other minerals	249,406	251,054
Gold	67,396	60,227
Niobium, tantalum and others	34,910	16,037
	351,712	327,318
Loss on derivative financial instruments	(1,821)	(1,077)
	349,891	**326,241**

17. Cost of Sales

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

	As of 06.30.2018	As of 06.30.2017
	US$(000)	US$(000)
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	39,255	58,241
Consumption of raw material and miscellaneous supplies	46,597	34,398
Wages and salaries	49,051	45,297
Depreciation	36,787	27,627
Purchase of mining services from AESA S.A.	12,696	16,823
Electricity	6,989	8,192
Purchase of explosives from Exsa S.A.	3,408	3,512
Amortization	549	4,535
Other manufacturing expenses	6,555	5,760
(Recovery) allowance for impairment of inventories, note 7 (b)	(366)	(1,142)
Production cost	201,521	203,243
Final balance of finished product inventory, note 5	(22,244)	(12,516)
Final balance of work in process inventory, note 5	(35,145)	(48,439)
Final balance mineral extracted, note 5	(6,290)	(4,997)
	(63,679)	(65,952)
Cost of sales	**202,396**	**202,074**

18. Income Tax

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

	As of 06.30.2018	As of 06.30.2017
	US$(000)	US$(000)
		(restated)
Profit (loss) before income tax	**64,474**	**49,202**
At statutory income tax rate	(17,289)	(13,197)
Effect of permanent differences, net	(1,053)	(2,450)
Provision of tax losses	-	(6,568)
Share sale effect	(29,859)	-

Tax base update of fixed assets		-
Tax credit	(11)	(1,572)
Participation in results from associates	(6,274)	966
Translation	7,708	5,171
Effect of mining royalties	2,180	2,308
Effect of rate change		(1,662)
Others	1	(1,510)
Income tax (expense) income	(44,597)	(18,514)
Mining royalties and special mining tax	(6,933)	(7,086)
Total	**(51,530)**	**(25,600)**

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 06.30.2018	**As of 06.30.2017**
	US$(000)	US$(000)
Income tax		
Current	38,842	23,761
Deferred	5,754	(5,247)
	44,596	**18,514**
Mining royalties and special mining tax		
Current	7,390	7,822
Deferred	(456)	(736)
	6,934	**7,086**
Total of income tax	**51,530**	**25,600**

Deferred income tax on investments in associates -
The Company 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 Company 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 June 30, 2018 and December 31, 2017 are as follow:

	As of 06.30.2018	As of 06.30.2017
	US$(000)	US$(000)
Receivable (current):		
Compañía Minera Raura S.A.	2,298	1,968
Rimac Seguros y Reaseguros	1,310	1,002
Administración de Empresas S.A.	76	246
Clinica Internacional S.A.	18	-
Exsa S.A.	3	
Others	1	52
	3,706	**3,268**

	As of 06.30.2018	As of 06.30.2017
	US$(000)	US$(000)
Payables (current):		
Exsa S.A.	4,545	855
Administración de Empresas S.A.	3,084	5,782
Clínica Internacional S.A.	364	380
Inversiones Nacionales de Turismo S.A.	42	37
Compañía Minera Raura S.A	32	32
Rímac S.A. Entidad Prestadora de Salud	32	158
Centria Servicios Administrativos S.A.	21	24
Rímac Seguros y Reaseguros	20	2
Protección Personal S.A.C.	5	24
Corporación Peruana de Productos Químicos S.A.	1	-
Inversiones San Borja S.A	-	242
Estratégica S.A.C.	-	28
Bodegas Viña de Oro	-	1
	8,146	**7,565**

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 06.30.2018	As of 06.30.2017
	$(000)	$(000)
Numerator -		**(restated)**
Net Income (loss)	12,944	23,602

	Number of shares	Number of Shares
Denominator -		
Common stockshares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Profit (loss) per stockshare		
Basic diluted - US$ per common share	0.450	0.820
Basic and diluted - US$ per invesment share	-	0.010

21. Tax Situation

(a) Peruvian Tax -
The Group is subject to the Peruvian tax regime.

Until 31 December 2016, by Law No. 30296 published on December 31, 2014, the current Income Tax regime established the following:

- A gradual reduction of the corporate income tax rate from 30% to 28% in 2015 and 2016; to 27% in 2017 and 2018; And to 26% in 2019 and future.

- A progressive increase in the rate applicable to the dividend tax from 4.1% to 6.8% in 2015 and 2016; to 8.0% in 2017 and 2018; and to 9.3% in 2019 and futures. These rates would apply to the distribution of profits to be make available in cash or in kind whichever occurs first, as of January 1, 2015.

- Accumulated results or other items capable of generating dividends, which were obtained up to December 31, 2014 and which form part of the dividends or any other form of distribution of profits, would be subject to a rate applicable to the dividend tax of 4.1%.

By Legislative Decree No. 1261 published on December 10, 2016, the Peruvian government introduced certain amendments to the Income Tax Law, effective as from January 1, 2017. The most relevant are presented below:

- An income tax rate of 29.5% is set.

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

(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 June 30, 2018 and 2017.

Brazilian subsidiaries -

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of June 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 carryforward determined by Mineração Taboca S.A. as of June 30, 2018 amounts to US$312,319,000 (US$390,759,000 as of December 31, 2017). The subsidiary has decided to recognize an asset for deferred income tax related to the tax loss carryforward only for the part in which it will be recoverable, recording an asset for deferred income tax of US $ 13,040,000 as it considers that there is no certainty of recovery of all of those losses.

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 Company 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 2018 and the General Sales Tax for the years 2013 to 2018 are pending review by the tax authorities.

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

	As of 06.30.2018	As of 06.30.2017
	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 June 30, 2018, these subsidiaries, with the exception of Marcobre, have not recognized deferred income tax asset originated by the tax loss carryforward by US$7,592,000 (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 June 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 June 30, 2018, the subsidiary Marcobre S.A.C. maintains the income tax rates described above.

22. Commitments

(a) Environmetal 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 June 30, 2018, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US$71,190,000 (US$62,482,000 as of December 31, 2017).

Compañía Minera Barbastro S.A.C.

As of June 30, 2018, the provision for mine closure of the Marta unit amounts to US $ 3,042,000 equivalent to S/9,960,000 (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$45,532,000 as of June 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 June 30, 2018 and December 31, 2017, the Company maintains a environmental liability to US$707,000 and U$1,220,000, 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 taking into account the Guide for the Preparation of Mining Environmental Liability Closure Plans of the MINEM.

In order with this obligation, on December 29, 2016, the Company 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 June 30, 2018, the provision for environmental liability reached U$10,264,000 (US$ 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 June 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. The mentioned resolution will result in the issuance of the respective resolution of compliance, which must definitively settle the amount of Income Tax for 2002 and 2003.

(c) Sanctioning administrative processes -

During the year 2017 and in previous years, the Group has received various notifications from the Agency for Environmental Assessment and Control (OEFA), Ministry of Production (PRODUCE) and the 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. The administrative fines derived from these processes imposed by OEFA, PRODUCE and OSINERGMIN amount to 55,052 Tax Units-UIT, equivalent to US$ 70,519,000 as of June 30, 2018 (196,817 Tax Units - UIT, equivalent to US$ 251,707,000, as of December 31, 2017). 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.

Management and its legal advisors have analyzed these processes and have estimated a probable contingency for US$ 3,275,000 as of June 30, 2018 (US$ 2,237,000 as of December 31, 2017), which is presented under "Provisions" of the consolidated statement of financial position.

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$88,891,000 (equivalent to approximately US$23,092,000), as of June 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 June 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 June 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$(000)	Tin (Brasil) US$(000)	Mining exploration (Perú) US$(000)	Total Consolidado US$(000)
As of June 30, 2018						
Results:						
Net sales	186,749	67,396	254,145	97,567	-	351,712
Loss in derivative financial instruments	-	-	-	(1,821)	-	(1,821)
Cost of sales	(90,639)	(34,330)	(124,969)	(77,427)	-	(202,396)
Gross margin	96,110	33,066	129,176	18,319	-	147,495
Operating expenses						
Administrative expenses	(11,436)	(4,332)	(15,768)	(6,956)	(5,796)	(28,520)
Selling expenses	(1,646)	(627)	(2,273)	(1,482)	-	(3,755)
Exploration and evaluation expenses	(12,759)	(892)	(13,651)	-	(4,553)	(18,204)
Other expenses, net	(2,810)	(1,064)	(3,874)	988	(873)	(3,759)
Total operating expenses	(28,651)	(6,915)	(35,566)	(7,450)	(11,222)	(54,238)
Operating income	67,459	26,151	93,610	10,869	(11,222)	93,257
Depreciation and amortization (included in costs and expenses)	(12,601)	(15,527)	(28,128)	(10,521)	(1,727)	(40,376)
Depreciation and amortization (included in development cost)	-	-	-	-	132	132

Minsur S.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of June 30, 2018, and 2017

	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brasil) US$(000)	Mining exploration (Perú) US$(000)	Total Consolidado US$(000)
As of June 30, 2017						
Results:						
Net sales	182,482	60,227	242,709	84,609	-	327,318
Loss in derivative financial instruments	-	-	-	(1,077)	-	(1,077)
Cost of sales	(85,214)	(32,638)	(117,852)	(84,222)	-	(202,074)
Gross margin	97,268	27,589	124,857	(690)	-	124,167
Operating expenses						
Administrative expenses	(10,279)	(3,980)	(14,259)	(5,806)	(1,993)	(22,058)
Selling expenses	(1,361)	(92)	(1,453)	(837)	-	(2,290)
Exploration and evaluation expenses	(12,576)	(700)	(13,276)	-	(4,387)	(17,663)
Other expenses, net	(2,759)	(1,057)	(3,816)	(637)	(389)	(4,842)
Total operating expenses	(26,975)	(5,829)	(32,804)	(7,280)	(6,769)	(46,853)
Operating income	70,293	21,760	92,053	(7,970)	(6,769)	77,314
Depreciation and amortization (included in costs and expenses)	(11,163)	(13,069)	(24,232)	(14,379)	(1,854)	(40,465)
Depreciation and amortization (included in development cost)	-	-	-	-	300	300