

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
June 30, 2018 and 2017

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of June 30, 2018 (unaudited) and as of December 31, 2017 (audited)

	Note	June 30, 2018 US\$(000)	December 31, 2017 US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	97,265	101,829
Financial investments		50,382	51,806
Trade accounts receivable, net		19,901	51,661
Subsidiaries accounts receivable		16,252	11,536
Other accounts receivable		166,011	160,929
Other financial assets	6	8,782	45,425
Inventories, net	5	67,352	71,672
Total current assets		425,945	494,858
Non-current Assets			
Other accounts receivable		7,284	3,378
Investments in associates		30	162
Property, plant and equipment, net	7	922,055	938,557
Mining exploration and evaluation cost, net	8	729,470	705,710
Deferred income tax asset	10	141,323	147,579
Total non-current assets		1,800,162	1,795,386
Total assets		2,226,107	2,290,244
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		4,044	4,005
Trade accounts payable		177,445	209,962
Subsidiaries accounts payable		6,304	87
Other accounts payable		107,635	91,958
Other financial liabilities	6	36,512	126,619
Financial obligations	9	195,894	173,386
Total current liabilities		527,834	606,017
Non-current Liabilities			
Financial obligations	9	599,916	628,987
Deferred income tax liability	10	278,750	276,842
Provision for contingencies		20,432	38,835
Provision for closing of mining units		134,473	134,890
Total non-current liabilities		1,033,571	1,079,554
Total liabilities		1,561,405	1,685,571
Patrimonio neto			
Issued capital	11	1,134,300	1,134,300
Treasury stock		(61,262)	(61,222)
Other capital reserves		1,055	1,055
Capital reserve		(174,463)	(174,320)
Unrealized gains (loss)		(468)	(20,511)
Revaluation		46,762	46,554
Retained earnings		(281,222)	(321,183)
Total net stockholders' equity		664,702	604,673
Total liabilities and net stockholders' equity, net		2,226,107	2,290,244

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Income Statement (unaudited)

For the period from January 1, to June 30, 2018 and 2017

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2018	2017	2018	2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 12	210,109	202,138	412,758	407,634
Cost of Sales, Note 13	(131,304)	(145,145)	(259,224)	(283,441)
Gross Income	78,805	56,993	153,534	124,193
Operating income (expenses)				
Administrative expenses	(10,539)	(11,647)	(22,644)	(22,147)
Selling expenses	(6,993)	(7,310)	(13,203)	(15,014)
Other income	7,730	13,562	19,018	22,099
Other expenses	(22,876)	(14,643)	(40,322)	(24,806)
	(32,678)	(20,038)	(57,151)	(39,868)
Operating income	46,127	36,955	96,383	84,325
Financial income (expenses)				
Financial income	(69)	2,433	281	4,363
Financial expenses	(9,712)	(10,045)	(19,399)	(21,423)
Exchange difference, net	(851)	1,156	(679)	1,286
Total other income (expenses), net	(10,632)	(6,456)	(19,797)	(15,774)
Income before income tax	35,495	30,499	76,586	68,551
Income tax, Note 10(b)	(17,605)	(14,947)	(36,530)	(29,459)
Net income	17,890	15,552	40,056	39,092
Net earnings per share	0.005	0.004	0.010	0.010
Weighted average of outstanding shares (in thousands)	3,858,059	3,858,268	3,858,059	3,858,268

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Comprehensive Income (unaudited)

For the period from January 1 to June 30, 2018 and 2017

	For the cumulative period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2018 US\$(000)	2017 US\$(000)	2018 US\$(000)	2017 US\$(000)
Net income	17,890	15,552	40,056	39,092
Others comprehensive income (loss):				
Net change in gains (losses) unrealized on derivate instruments	16,017	1,704	28,430	462
Income tax	(4,725)	(503)	(8,387)	(136)
Other comprehensive income (loss) net of income tax	11,292	1,201	20,043	326
Total comprehensive income	29,182	16,753	60,099	39,418

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity (unaudited)

For the period from January 1 to June 30, 2018 and 2017

	Capital Issued	Treasury stock	Other capital reserves	Revaluation	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)		US\$(000)	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2017	1,253,181	(196,778)	3,553	-	20,298	-	41,376	1,121,630
Net income	-	-	-	-	-	-	39,092	39,092
Net change in gains unrealized on derivative instruments	-	-	-	-	-	326	-	326
Allocation of dividends corresponding to 2016	-	-	-	-	-	-	(14,066)	(14,066)
Increase (decrease) in treasury stock transactions	-	(81)	-	-	(90)	-	-	(171)
Conversion effect	-	-	-	-	-	-	(2,767)	(2,767)
Balances as of June 30, 2017	1,253,181	(196,859)	3,553	-	20,208	326	63,635	1,144,044
Balances as of January 1, 2018	1,134,300	(61,222)	1,055	46,554	(174,320)	(20,511)	(321,183)	604,673
Net income	-	-	-	-	-	-	40,056	40,056
Net change in gains unrealized on derivative instruments	-	-	-	-	-	20,043	-	20,043
Conversion effect	-	(40)	-	208	(143)	-	(95)	(70)
Balances as of June 30, 2018	1,134,300	(61,262)	1,055	46,762	(174,463)	(468)	(281,222)	664,702

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Cash Flows Statement (unaudited)

For the period from January 1 to June 30, 2018 and 2017 (Note 2C)

	June 30, 2018	June 30, 2017
	US\$(000)	US\$(000)
Operating activities		
Collection of sales proceeds	521,215	468,823
Refund of the credit balance in favor of the exporter and taxes	11,744	32,989
Payments to suppliers and third parties	(269,289)	(287,676)
Payments to workers	(49,502)	(48,777)
Income tax payments	(35,801)	(25,341)
Royalties	(9,873)	(8,194)
Expenses for coverage	(18,803)	(4,152)
Cash flows from operating activities	149,691	127,672
Investing activities		
Other cash receipts related to the investment activity	840	992
Purchase of investment property	-	(20,923)
Disbursements for the acquisition of mining rights, property, plant and equipment	(32,844)	(28,249)
Disbursements for exploration and development activities	(67,357)	(39,905)
Cash flows (used in) investment activities	(99,361)	(88,085)
Financing activities		
Increase (decrease) in financial obligations	(35,519)	(7,742)
Interest payment	(19,375)	(19,796)
Dividends	-	(14,066)
Cash flows (used in) from financing activities	(54,894)	(41,604)
Increase (Decrease) in cash and cash equivalents for the period	(4,564)	(2,017)
Cash and cash equivalents at the beginning of the period	101,829	203,351
Cash and cash equivalents at the end of the period	97,265	201,334

The accompanying notes are an integral part of this statement

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of June 30, 2018 and December 31, 2017

1. Identification and economic activity

(a) Identification -

Volcan Compañía Minera S.A.A. (hereinafter “the Company”, “the Parent Company” or “Volcan”) was incorporated in Perú in the city of Lima on February 1, 1998 through the merger of Volcan Compañía Minera S.A., incorporated in June 1943, and Empresa Minera Mahr Túnel S.A., a company which had been acquired by the Company under a privatization process in 1997.

The shares which make up the capital stock of the Company are listed on the Lima Stock Exchange.

The legal seat and administrative offices of the Company and its subsidiaries are located on Av. Manuel Olguín No. 375, Urbanización Los Granados, Santiago de Surco, Lima.

(b) Economic activity -

The Company is engaged, on its own behalf, in the exploration for and exploitation of mining concessions and in the extraction, concentration, treatment and comercialization of polymetallic ore. Until January 2011, it ran as part of its own structure two mining units located in the departments of Pasco and Junín, in the central highlands of Perú. In February, 2011, the Cerro de Pasco Unit was spun-off under a simple reorganization process, retaining control over this subsidiary. At these locations, the company produces zinc, copper, lead and silver concentrates.

The Company’s Management administers and runs all operations of the Company’s subsidiaries and those of the latter are subsidiaries.

(c) Approval of consolidated financial statements -

The consolidated interim financial statements as of June 30, 2018 were approved by the Company’s Management on July 24, 2018. The consolidated financial statements as of December 31, 2017 were approved by the Shareholders’ Meeting on April 04, 2018.

(d) The consolidated financial statements include the financial statements from the following subsidiaries:

	Percentage of direct or indirect interest in the capital	
	June 30, 2018	December 31, 2017
Subsidiaries:		
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera Chungar S.A.C.	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100	100
Hidroeléctrica Huanchor S.A.C (***)	100	100
Compañía Hidroeléctrica Tingo S.A. (**) (***)	99.99	99.99
Empresa de Generación Eléctrica Baños S.A. (**)	99.99	99.99
Óxidos de Pasco S.A.C	99.99	99.99
Terminales Portuarios Chancay S.A.	99.99	99.99
Roquel Global S.A.C.	99.99	99.99
Agroindustrias Chancay S.A.C.	-	99.99
Cía. Industrial Ltda. De Huacho S.A.	55.81	55.81
Corporación Logística Chancay S.A.C.	99.99	99.99
Compañía Minera Vichaycocha S.A.C.	99.99	99.99

(*) These are, in turn, subsidiaries of Empresa Minera Paragsha S.A.C.

(**) This is, in turn, a subsidiary of Compañía Minera Chungar S.A.C.

(***) Subsidiary engaged in the energy generation.

On May 1, 2017, the merger of Empresa Administradora de Puertos S.A.C. and Terminales Portuarios Chancay S.A. (survivor company) took place. On May 31, 2017, Terminales Portuarios Chancay S.A. capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. and Empresa Administradora Cerro S.A.C. equivalent to S/ 11,124 thousand and S/ 59,222 thousand, respectively.

As of fiscal year 2017, the following companies were incorporated: Roquel Global S.A.C., Agroindustrias Chancay S.A., Cía. Industrial Ltda. De Huacho S.A., Corporación Logística Chancay S.A.C. y Compañía Minera Vichaycocha S.A.C. On June 4, 2018 the General Meeting Shareholders' approved the liquidation report of Agroindustrias Chancay S.A.C.

(e) Issuance of bonds -

By resolution of the Company's Shareholders Meeting held on November 4, 2011, approval was provided to the issuance of bonds in the aggregate amount of US\$1,100,000,000 (One Thousand One Hundred Million United States Dollars), or its equivalent in soles, to be placed at the international and/or local markets, with a first tranche in the amount of US\$600,000,000 (Six Hundred Million United States Dollars), to finance mining and power projects within the next five years. Furthermore, the Board of Directors was vested, in the broadest manner permitted by applicable laws and the

Company's bylaws, with all powers necessary for its determination of each and all terms, characteristics and conditions applicable to the issuance of bonds.

At the Company's Board Meeting held on January 16, 2012, it was agreed to approve an issuance of bonds under Regulation 144A and Regulation S of the U.S. Securities Act of the United States of America, in the aggregate amount of US\$600,000,000 (Six Hundred Million U. S. Dollars), subject to the terms and conditions determined by the attorneys-in-fact designated by the Parent Company for such purpose, and at market conditions.

On February 2, 2012, bonds were issued and all of the so-called "Senior Notes due 2022" were placed for US\$600,000,000 at the international market, at an annual rate of 5.375%, with a ten- year maturity and half-yearly installments payable from August 2, 2012 through February 2, 2022. It is worth noting that the demand for such bonds from investors interested in their acquisition reached US\$ 4.8 million U.S. dollars. As of June 30, 2018 the outstanding liability amounts to US\$ 535,264 thousand.

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit, the new Alpacamarca-Pallanga River unit, and the acquisition of Hidroeléctrica Huancho S.A.C.

2. Basis of presentation, accounting principles and practices

Basis of presentation -

The consolidated interim financial statements (unaudited) for the six periods ended June 30, 2018 and 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting".

The consolidated interim financial statements do not include all information and disclosures required from annual consolidated financial reports and should be read together with annual consolidated financial statements for 2017.

For a correct reading of the financial statement, certain reclassification have been made in 2017.

Accounting principles and practices -

- (a) In the preparation of the attached consolidated interim financial statements, the Company has used the same accounting criteria and principles as for its consolidated annual financial statements.

The Company has not adopted in advance any standard, interpretation or modification which had been issued but not made effective as of the date of the consolidated interim financial statements.

- (b) The functional and presentation currency used by the Company is the United States Dollar. Transactions in foreign currency (i.e. any currency other than the functional currency) are initially translated into functional currency using the exchange rates in

force on the date of the transactions. Monetary assets and liabilities expressed in foreign currency are subsequently adjusted to functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position. Non-monetary assets and liabilities in foreign currency, recorded at historical costs, are translated into functional currency using the exchange rates in force on the original dates of transactions. Any gains or losses from the exchange rate differential resulting from the liquidation of such transactions and the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing as of fiscal year closing are recognized in the consolidated income statement.

(c) **Cash and cash equivalents**

This heading included in the Company's statement of financial position includes all cash balances, term deposits, mutual funds, financial assets and financial investment foreign which are short-term, highly liquid and readily convertible into cash and have free availability and investment abroad.

Furthermore, for purposes of their presentation in the cash flows statement, the cash, mutual funds and term deposits with original maturities of twelve or less months are included, and also the financial assets at fair value through profit or loss, because of their high liquidity according to the Company's Management.

3. Seasonality of operations

The Company operates on a continuous basis, with no important fluctuations due to seasonal factors.

4. Cash and cash equivalents

Herein below is the composition of this heading:

	As of June 30, 2018	As of December 31, 2017
	US\$(000)	US\$(000)
Funds available:		
Cash	10	11
Fixed fund	28	26
Bank checking accounts	96,813	100,933
Mutual funds	-	442
Funds subject to restriction	414	417
	97,265	101,829

5. Inventories

The composition of this heading is presented below:

	As of June 30, 2018	As of December 31, 2017
	US\$(000)	US\$(000)
Concentrates	8,182	10,734
Raw material (extracted ore)	13,913	16,395
Miscellaneous supplies	60,400	58,833
Inventories in transit	236	1,089
Value of stockpiles (a)	7,752	7,752
Allowance for obsolescence of spare parts and supplies (b)	(23,131)	(23,131)
	67,352	71,672

The company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of June 30, 2018 and as of December 31, 2017.

(a) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of June 30, 2018 and as of December 31, 2017.

6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of June 30 2018	As of December 31 2017
	US\$(000)	US\$(000)
Fair value of hedging derivatives	42	-
Fair value of trading derivatives	7,754	29,541
Settled derivative financial instruments and premiums	-	12,787
Embedded derivative related to sales of concentrates	-	2,971
	7,796	45,299
Fair value swaps	986	126
	986	126.00
	8,782	45,425
Less: non-current portion	-	-
Current portion	8,782	45,425

Here in below is the composition of payables:

	As of June 30 2018	As of December 31 2017
	US\$(000)	US\$(000)
Fair value of hedging derivatives	1,693	29,220
Fair value of trading derivatives	1,228	7,706
Settled derivative financial instruments and premiums	29,782	89,693
Embedded derivative related to sales of concentrates	3,809	-
	36,512	126,619
Less: non-current portion	-	-
Current portion	36,512	126,619

The Company uses derivative instruments to reduce its exposure to market risks. Such risks are primarily related to the effects of constantly fluctuating prices for the metals traded by the Company. The Company Management's intention is to maintain derivative instruments to hedge the price fluctuations of metals.

Mineral quotations hedging transactions -

As of June 30, 2018 the Company has executed price hedging operations contracts to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The change in the equity account "Unrealized gains (loss)" is presented below:

	Hedging Financial Derivatives	Income tax	Unrealized Gains (losses)
	US\$(000)	US\$(000)	US\$(000)
Balances as of December 31, 2016	-	-	-
Total change in hedging derivative financial instruments	(29,094)	8,583	(20,511)
Balances as of December 31, 2017	(29,094)	8,583	(20,511)
Total change in hedging derivative financial instruments	28,430	(8,387)	20,043
Balances as of June 30, 2018	(664)	196	(468)

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of June 30, 2018
<u>2018</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost								
Land	95,460	1,211	(170)	3,402	-	-	-	99,903
Buidings and other constructions	778,919	532	-	6,253	-	-	-	785,704
Environmental management program infrastrl	22,293	-	-	-	-	-	-	22,293
Machinery and equipment	285,321	310	(100)	551	-	-	-	286,082
Transportation units	11,702	76	(206)	-	-	-	-	11,572
Furniture and fixtures and IT equipment	13,487	208	(7)	-	-	-	-	13,688
Miscellaneous equipment	421,253	4,878	-	2,001	-	-	-	428,132
Units in transit	4,282	957	-	(1,968)	-	-	-	3,271
Works in progress	94,791	18,443	-	(10,248)	-	-	-	102,986
	1,727,508	26,615	(483)	(9)	-	-	-	1,753,631
Accumulated depreciation								
Buidings and other constructions	(202,316)	(26,701)	-	-	-	-	-	(229,017)
Environmental management program infrastrl	(22,250)	(15)	-	-	-	-	-	(22,265)
Machinery and equipment	(247,551)	(4,424)	90	-	-	-	-	(251,885)
Transportation units	(10,649)	(196)	188	-	-	-	-	(10,657)
Furniture and fixtures and IT equipment	(9,149)	(440)	7	-	-	-	-	(9,582)
Miscellaneous equipment	(297,036)	(11,134)	-	-	-	-	-	(308,170)
	(788,951)	(42,910)	285	-	-	-	-	(831,576)
Net cost	938,557							922,055
<u>2017</u>								
Cost	1,746,093	117,473	(31,576)	382	7,593	66,034	(178,491)	1,727,508
Accumulated depreciation	(724,665)	(82,320)	19,408	-	(1,374)	-	-	(788,951)
net cost	1,021,428							938,557

8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of June 30, 2018
<u>2018</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost								
Mining rights and concessions	268,690	-	-	-	-	-	-	268,690
Exploration	221,385	9,923	(33)	-	-	-	-	231,275
Development and stripping costs	628,218	40,548	-	-	-	-	-	668,766
Closing of mining units	104,987	-	-	-	-	-	-	104,987
Other intangible assets	86,281	4,110	(15)	9	-	-	-	90,385
	1,309,561	54,581	(48)	9	-	-	-	1,364,103
Accumulated amortization								
Mining rights and concessions	(181,619)	(3,701)	-	-	-	-	-	(185,320)
Exploration	(92,728)	(5,738)	-	-	-	-	-	(98,466)
Development and stripping costs	(287,247)	(16,085)	-	-	-	-	-	(303,332)
Closing of mining units	(32,057)	(4,771)	-	-	-	-	-	(36,828)
Other intangible assets	(10,200)	(488)	1	-	-	-	-	(10,687)
	(603,851)	(30,783)	1	-	-	-	-	(634,633)
Net cost	705,710							729,470
<u>2017</u>								
Cost	1,215,822	183,070	-	(381)	90,391	74,315	(253,656)	1,309,561
Accumulated depreciation	(636,084)	(56,773)	89,036	-	(30)	-	-	(603,851)
Net cost	579,738							705,710

9. Financial Obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Loans	Payment	Balances as of June 30, 2018	Current	Non-current
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing						
Banco internacional del Perú-Interbank	626	75	(358)	343	156	187
Scotiabank Perú S.A.A.	5,484	-	(1,354)	4,130	2,081	2,048
Banco Continental	427	-	(412)	15	15	-
Financial Institutions - loans						
Scotiabank Perú S.A.A.	20,000	-	(20,000)	-	-	-
Citibank NA, New York	70,000	-	(4,375)	65,625	17,500	48,125
Scotiabank Perú S.A.A.	40,000	-	(40,000)	-	-	-
Atlas Copco Financial Solutions AB	572	-	(246)	326	326	-
Banco internacional del Perú-Interbank	10,000	-	(938)	9,062	1,916	7,146
Scotiabank Perú S.A.A.	10,000	-	(938)	9,062	1,916	7,146
Financial Institutions - synthetic loans						
Banco Continental	60,000	-	(60,000)	-	-	-
Banco Continental	-	60,000	-	60,000	60,000	-
Scotiabank Perú S.A.A.	-	60,000	-	60,000	60,000	-
Others						
Mercuria	-	434	-	434	434	-
Transamine	-	1,549	-	1,549	1,549	-
Bonds	535,264	-	-	535,264	-	535,264
Short term debt instruments	50,000	-	-	50,000	50,000	-
	802,373	122,058	(128,621)	795,810	195,894	599,916
Financial obligations current	(173,386)			(195,894)		
Financial obligations non-current	628,987			599,916		

10. Deferred Income tax

(a) The composition of this heading, according to the items originating same, is provided below:

	As of June 30 2018	As of December 31 2017
	US\$(000)	US\$(000)
Deferred assets with effect on gains (losses)		
Expenses of amortization of mining rights and concessions, exploration, development and stripping costs	58,781	56,947
Provision for the closing of mining units	40,029	40,029
Fair value of derivatives financial instruments and premiums	4,986	19,771
Contingencies provisions	5,968	9,018
Estimation for devaluation of inventories	6,824	6,824
Recoverable tax loss	6,319	4,692
Fair value polpaico cement	3,547	3,127
Vacation payments outstanding	2,051	2,010
Provision of mining royalties	1,263	1,699
Provision for doubtful accounts	4,330	1,364
Embedded derivative and sales adjustment	3,752	199
Other minors	3,473	1,899
Deferred assets	141,323	147,579
Deferred liabilities with effect on gains (losses)		
exploration, development and stripping costs	212,447	206,333
Effect by translation of the tax benefits to dollars	36,203	32,806
Fair value of derivatives financial instruments and premiums	2,861	9,316
Value of stock piles	2,287	2,287
Insurance indemnity	2,025	1,583
Embedded derivative	-	1,273
Revaluation of assets	19,646	19,480
Other minors	3,281	3,764
Deferred liabilities	278,750	276,842

(b) The income tax expense carried in the income statement:

	For the period from April 1 to June 30		For the period from January 1 to June 30	
	2018	2017	2018	2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Income Tax				
Current	(9,991)	(9,565)	(27,529)	(15,459)
Deferred	(2,511)	(2,242)	398	(6,909)
	(12,502)	(11,807)	(27,131)	(22,368)
Tax on mining royalties	(4,933)	(3,037)	(8,935)	(6,810)
Contribution to the retirement fund	(170)	(103)	(464)	(281)
Total income (loss) tax expense	(17,605)	(14,947)	(36,530)	(29,459)

11. Issued capital

It is represented by 1,633,414,553 class "A" shares with right to vote and 2,443,157,622 class "B" shares with no right to vote but right to preference dividend distribution; such right is not cumulative. From the total, 182,836,099 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 class "A" shares by subsidiary Compañía Minera Chungar S.A.C .

Both class "A" and class "B" common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of June 30, 2018, their quotation was S/ 3.59 and S/ 0.81 per share, respectively (S/ 4.00 and S/ 1.32 per share, respectively, as of December 31, 2017). As of June 30, 2018, the trading frequency for class "A" shares was 15 percent, and for class "B" shares 100 percent (for class "A" shares was 5 percent, and for class "B" shares 100 percent as of December 31, 2017).

On June 30, 2016, the General Meeting of Shareholders agreed to reduce the share capital of the Company S/ 529,954,383 of S/ 4,076,572,175 to S/ 3,546,617,792 by reducing the nominal value of all the Class "A" and Class "B" issued by the Company, i.e., affecting the 4,076,572,175 shares issued by the Company, whose nominal value is reduced to S/ 1.00 to S/ 0.87.

At the board meeting held on July 5, 2016, the directors approved the distribution of cash dividends of up to S/ 52,484,125.70 (equivalent to US\$.15,967,181) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on August 9, 2016.

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividends of up to S/ 49,105,817 (equivalent to US\$.14,853,544) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on February 28, 2017.

At the board meeting held on October 2, 2017, the directors approved the distribution of cash dividends of up to S/ 54,583,491 (equivalent to US\$.16,396,750) in favor of the shareholders, which correspond to the profits of fiscal year 2016. Said dividends were paid on October 27, 2017.

12. Net Sales

The table herein below provides a detail of net sales:

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2018 US\$(000)	2017 US\$(000)	2018 US\$(000)	2017 US\$(000)
Net concentrate sales				
Zinc	131,331	119,006	274,290	236,550
Lead	60,470	47,981	99,832	87,316
Copper	9,144	12,821	17,050	20,243
Silver	12,498	9,638	26,087	24,926
Bulk	-	-	-	3,972
Silver Bars	16,046	18,053	32,434	33,606
Final settlement adjustments	(5,161)	108	(2,551)	5,136
	<u>224,328</u>	<u>207,607</u>	<u>447,142</u>	<u>411,749</u>
Gain (loss) realized on financial instruments	(5,637)	(295)	(18,028)	2,562
Sales adjustment for the current period (a)	(1,292)	(9,881)	(1,929)	(11,369)
Embedded derivatives for the current period (b)	(7,290)	4,707	(14,427)	4,692
	<u>210,109</u>	<u>202,138</u>	<u>412,758</u>	<u>407,634</u>

(a) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Sales agreements are related to future market prices. The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of June 30, 2018 and 2017, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in loss for US\$ 1,929 thousand and US\$ 11,369 thousand in the six-months periods ended June 30, 2018 and 2017; respectively, and are shown as part of net sales.

(b) Embedded derivatives

As of June 30, 2018 the fair value of embedded derivatives yielded in loss for US\$ 14,427 thousand (Profit for US\$ 4,692 thousand as of June 30, 2017). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of June 30, 2018 and 2017 have been taken from entities that work with the London Metal Exchange (LME) publications.

13. Cost of Sales

The composition of this below:

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2018 US\$(000)	2017 US\$(000)	2018 US\$(000)	2017 US\$(000)
Concentrates beginning inventory	14,821	5,259	10,734	8,046
Raw materials (extracted ore) beginning inventory	16,334	26,492	16,395	27,079
Production cost:				
Labor	18,270	17,732	37,097	33,114
Rental, power and other expenses	51,002	57,582	103,364	112,171
Supplies used	23,892	27,913	48,428	54,996
Depreciation and amortization	29,610	33,692	64,577	63,304
Purchase of concentrate and minerals	-	6,076	-	12,504
Exceptionals, others	(530)	1,841	724	3,669
Less - concentrates ending inventory	(8,182)	(5,592)	(8,182)	(5,592)
Less - raw materials (extracted ore) ending inventory	(13,913)	(25,850)	(13,913)	(25,850)
	131,304	145,145	259,224	283,441