

PODEROSA

SUSTAINABILITY
REPORT 2018



THE POWER OF SUSTAINABLE DEVELOPMENT **LIES IN OUR ACTIONS**


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SUSTAINABILITY
REPORT 2018



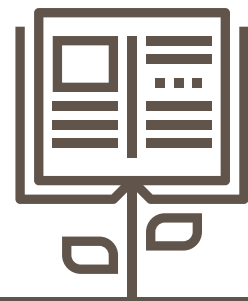
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integrity

THE POWER OF SUSTAINABLE DEVELOPMENT **LIES IN OUR ACTIONS**

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ethics and transpa rency



Acting with ethics and transparency strengthens us

It strengthens us as individuals and as an organization, but it also has an impact on society. Decision making based on our values, helps us generate motivation and empowerment, contributes to creating an ethically inspiring environment and, at the same time, improves our company's reputation. Each one of our workers, with his or her actions, helps building our corporate reputation, which we feel very proud of.

In this regard, during 2018 we approved our Compliance Policy, the Manual for the Prevention of Money Laundering and Terrorist Financing, and we started the implementation of the ISO 37000 certification, which is an anti-bribery management system.

Your participation is key. We all have the power to do the right thing by acting with integrity in every daily decision we make.



disclaimer

This 2018 Annual Report has been prepared under the principles of good faith and transparency, in accordance with the legal provisions in force and pursuant to the Manual for the Presentation of Annual Reports of the Superintendencia de Mercados de Valores (Securities Market Superintendence - SMV); therefore, any deficiency or omission is not voluntary. Pursuant to CONASEV's General Management Order N° 211-98-EF/94.11 and its modifications, we hereby state as follows:

"This document contains true and sufficient information regarding the business of Compañía Minera Poderosa S.A. during 2018.

Notwithstanding the liability of the persons who have prepared it, the undersigned are liable for its contents pursuant to the legal provisions in force".

The information contained in this Annual Report cannot be used alone for investment decisions.

Evangelina Arias Vargas de Sologuren
Executive
Chairperson of
the Board of
Directors

Russell Marcelo Santillana Salas
General Manager

Daniel Torres Espinoza
Operations
Manager

José Antonio Elejalde Noya
Administration,
Finance and
Trade Manager

Iván Tomás Asmat Salazar
Accountant
General

Helena Zuazo Arnao
Institutional Head
of the Legal
Department



RELEVANT INFORMATION FOR OUR **stakeholders**

This Report has been designed pursuant to the new Global Reporting Initiative (GRI) Guidelines, core option, and covers the period between January 1st and December 31st, 2018. The report accounts for the operations of the Marañon and Santa Maria production units in the Pataz district, La Libertad Region in Peru, including the work of the administrative offices and warehouses located both in Lima and in Trujillo.

Our reports are produced on a yearly basis. In 2010, 2011, 2012 and 2013 they were designed according to GRI version GR3.1. In 2014, 2015, 2016 and 2017 we applied the criteria of the GRI version G4. The 2017 report was published on December 2018.

In this report there are no changes regarding mergers of acquisitions; changes in the base years or periods; business nature or measurement methods. During this period, significant changes have taken place regarding the size, structure and ownership of the company, as detailed below:

- The fusion furnaces were replaced by induction furnaces in the Marañon plant.
- One 8x10' mill was replaced by a 9.5x12' one, and the 6x6' mill was replaced by an 8x10' one in the Marañon plant.

- Authorization for the Livias leach pond operation was given for Sulphur storage.
- The construction of the expansion of the Santa Maria beneficiation plant was approved. The plant will be expanded to 1,000 tons per day.
- The fourth Modification to the Mine Closure Plan of Poderosa Mining Unit was admitted, it includes an update of the schedule and the budget for the end of the operation.
- Iben Reyes, general accountant, left the company on February 2018; he was replaced on March of the same year by Ivan Asmat Salazar. His resume can be found in the Appendixes to this report.

In 2016, the Board of Directors approved our Sustainability Statement, an evidence of the Senior Management's commitment with our stakeholders (see page 26).

The electronic version of this 2018 Annual Sustainability Report can be found in:

www.poderosa.com.pe

For further information about this report please contact:

Social Responsibility and Communications Deputy Management Office.

Avenida Primavera 834, Lima 33, Peru.

Telephone: (511) 617-2727, ext. 4107

responsabilidadesocial@poderosa.com.pe

APPLICATION OF THE NEW GRI STANDARD AND MATERIALITY PRINCIPLE

The new version of the GRI Standard promotes the publication of information focused in the core of an organization. Pursuant to this standard, we defined our materiality as those aspects that reflect the organization's significant economic, environmental and social impacts that substantively influence stakeholders' assessments and decisions.

MATERIALITY ANALYSIS

In this report, we inform about the material aspects considered to be highly important to our strategic objectives based on an analysis carried out on 2014, which included the participation of the senior management, line executives, and stakeholders. The process was carried out in four stages:

- **Review:** Information from the mining sector and relevant to the industry was analyzed and compared. We also reviewed a series of documents related to our social responsibility strategy such as the Code of Conduct of the Sociedad Nacional de Minería, Petróleo y Energía (National Mining, Oil and Energy Association– SNMPE), Internal Work Regulation, General Policies, Integrated Management System Policies (SIG), and Mission, Vision and Values statement.

- **Identification:** Under the materiality principle, a thorough list was produced, containing the most relevant aspects that could cause significant impacts on the stakeholders or in the company's value chain.
- **Prioritization:** a preliminary list containing the material aspects was produced establishing its scope and coverage through the application of the inclusiveness principle and responding to the expectations of the stakeholders.
- **Validation:** The preliminary list was validated by officers, workers and stakeholder representatives who participated in workshops and responded to surveys. This way, a final list of the reportable material aspects was completed.

For this report, we have reviewed relevant updated documents such as the Community Perception Study on our performance, carried out by DCifra S.A.C.; the validation of the Good Corporate Governance Principles 2017; staff recruitment, selection and hiring process; the 2017 Annual Sustainability Report, the 2016 and 2017 Audited Financial Statement reports; and the 2018 Annual Plan which establishes the company's general purpose (key business performance indicators). This review allowed revalidating the material aspects selected in 2014 to produce this document.



¹Sustainability consulting company.

TABLE 1
Material aspects, scope and coverage

MATERIAL ASPECTS	COVERAGE	STAKEHOLDER GROUP	SIGNIFICANT IMPACT
Economic performance	Internal	Shareholders, workers	Financial results
Operations management: production	Internal	Shareholders, workers	Ounces produced, environmental impact
Occupational health and safety	Internal	Workers, suppliers	Workers' safety
Materials management	Internal	Government, community	Environmental impact
Water management	Internal and external	Government, community	Environmental impact, water management.
Gas emissions management	Internal	Government, community	Greenhouse gas emissions, solids in suspension in the air
Energy management	Internal	Government, community	Operations continuity, costs reduction
Respect for biodiversity	External	Government, shareholders	Environmental impact
Mine closure plan	Internal and external	Government, community	Health, security of the people, environment, surrounding ecosystem and property
Forestation	External	Government, community	Productive activities, secure wood supply, mitigation of carbon footprint.
Participative monitoring	External	Government, community	Environmental impact
Labor practices and decent work	Internal	Shareholders, workers, Government	Occupational health, accidents, better performance, staff turnover.
Community relations	External	Community, suppliers, artisanal miners, Government	Development of the area of influence
Formalization of artisanal miners	External	Artisanal miners, Government, community, suppliers	Environmental impact reduction, formalization of the economy, economic results
Suppliers	External	Suppliers	Product and service quality. Stimulation of the local economy through job creation, demand for local services and procurement

On the other hand, we defined DMA (Disclosure Management Approach) as the description of a management approach that provides information on how an organization identifies, analyzes, and responds to its actual and potential material economic, environmental, and social impacts.

During this period, there have been no significant changes regarding the scope and coverage of each aspect with respect to former annual reports.



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CHAPTER 1

poderosa



CHAIRPERSON'S LETTER

The results for 2018 are very encouraging. The work carried out by our employees, teamwork, their dedication and ongoing effort have thrusted the growth of our company; my deepest recognition and gratitude to them. All the same, I want to thank our shareholders for their trust in our team and to all the people working with Poderosa, from the different private and public institutions that help us being better every day. Without you, Poderosa would be unable to reach the results achieved year after year.

Once again, in 2018, we have surpassed our historic production, obtaining 279,543 ounces of gold, 9.8% more than in 2017. The increase of the ore head grade and plant improvements account for this achievement. The accrued head grade was 19.12 grams per metric ton (g/t), compared to 17.90 g/t in 2017. The accrued recovery of our two plants went from 90.69% to 90.95%. The effect of these factors, together with our continuous improvement process, allowed an 8% reduction in the effective cost per ounce, moving from 598.5 USD/oz in 2017 to 550.5 USD/oz in 2018.



As for mineral resources, 2018 closed with 1'344,904 tons, with 734,982 ounces of gold content; both figures are historic for the company. These results represented a 7% increase compared to 2017. As in previous years, the good results in Santa Maria explorations contributed significantly to meeting these goals. In Marañon however we did not meet the expected results in explorations, all the same, pending permits will allow exploring north, this could revert the current results. On the other hand, due to infrastructure problems, we were unable to explore interesting cuts found in the Marañon area, in our Cortada 5,000 project which will integrate both production units with a 5km tunnel.

The good results in Santa Maria explorations, especially in the last five years justified the execution of surveys and permit procedures to increase the capacity of Santa Maria II plant. In 2018, once the permits were granted, we started the first expansion stage from 600 t/d to 800 t/d, which we expect to complete by mid-2019; later, during the second stage, we will reach 1,000 t/d. With respect to Marañon Plant, the permits granted allowed for the installation of the necessary equipment to increase its capacity from 730 t/d to 800 t/d in 2018.



As in previous years, and thanks to our team's effort, we have received several prizes.

As in previous years, and thanks to our team's effort, we have received several prizes. My sincere congratulations for these achievements. Again The Mexican Center for Philanthropy, endorsed by Peru 2021, awarded us the "Socially Responsible Company Award"; the National Industries Association (SIN), during the XXVIII Quality Week bestowed us two awards in the production category for continuous improvement projects presented by the Continuous Improvement Circles (CIC); the Kenshu Kiokay Association of Peru (AOTS Peru) at the National 5S Awards awarded gold medals to our Marañon and Santa Maria production units and to our administrative offices in Surco and Chorrillos; in the XII National Mining Congress (Conamin), the formalization process for human consumption water service in Patatz was chosen as the best work in the Social Responsibility area; this project was also ranked second in the Water Resource Management Good Practices, in the Premio Nacional Cultura del Agua 2018, organized by the National Water



We will continue to orient our efforts towards improving safety and security in our operations, focusing on training and on improving our safety and security culture .



Authority (ANA). All the same, I congratulate our team for completing the migration of ISO 9001 and 14001 standards to version 2015, as well as OHSAS 18001. Using these methodologies we can maintain best practices and continue growing.

Unfortunately, all these achievements come second in the event of regrettable facts. During 2018 we did not have any casualties in our operations, but we did have one on January 3, 2019. This overshadows the safety and security improvements recorded in 2018, when we managed to reduce the frequency index from 3.01 to 2.07 and the severity index from 1,032 to 133. We will continue to orient our efforts towards improving safety and security in our operations, focusing on training and on improving our safety and security culture, to move from independent to interdependent.

Finally, I would like to make a special reference to the distinction "Most Profitable CEO 2018", awarded by KPMG Perú and Semana Economica to our general manager, Marcelo Santillana, who ranked first in the mining category and fifth, in the general ranking. Marcelo, our infinite gratitude for your meritorious work in Poderosa throughout these years.

Once again, we would like to express our gratefulness and your trust on us throughout 2018 and we look forward to your continued and active support in 2019.

Yours sincerely,

Evangelina Arias Vargas de Sologuren



PODEROSA AND THE FUTURE

We believe that sustainability is an attitude towards the future, a bridge that connects the present with the needs of the future generations. In this regard, we are committed to be a sustainable company, focused on generating positive social impacts and adequate economic results. All the same, we seek to be a good employer, a good neighbor and to respect the environment.

WHERE ARE WE LOCATED?

Since 1980 (when the Company was established), we are engaged in mineral exploitation, extraction, processing and trading. Our focus is underground gold mining, with a middle- sized mining approach.

Our operations are in the Pataz district and province, in La Libertad Region, Peru. We do not have assets or affiliates abroad. We have treated gold in this area since 1982 nonstop. Our mining rights comprise 129,155 ha, however we carry out operations in 13,574 ha, and prospection and exploration work take place in the rest of the land such as La Lima, to the North and Suyubamba, South of the production sites.





2018 KEY PERFORMANCE INDICATORS

Workers in payroll:

709



Workers of related contractors and mining companies

2,964



Sales 2018 (USD 357'923,639):

PEN 1,176'586,748

279,543 oz

gold

229,148 oz

silver



>>> INDICATORS (2016 - 2017 - 2018):

Net Production (oz):	Total sales (in thousand soles)	Net profit (in thousand soles)	Net assets (in thousand soles)
220,004 2016	945,456 2016	176,376 2016	533,517 2016
254,600 2017	1,042,051 2017	202,477 2017	647,495 2017
279,537 2018	1,176,586 2018	233,914 2018	782,409 2018

MAIN SHAREHOLDERS

TABLE 2

N°	NAME	NATIONALITY
1	Talingo Corporation	British Virgin Islands
2	Arias Vargas, Victoria Isabel	Peru
3	Arias Vargas de Sologuren, Evangelina	Peru
4	Cori Apu S.A.C.	Peru
5	South America Mining Investment	British Virgin Islands
6	Xelor Shipping Limited	British Virgin Islands
7	Zulema Invest Limited	British Virgin Islands



BOARD OF DIRECTORS MEMBERS

DIRECTORS RESUME

The professional background of each Director is detailed in Appendix 1 to this report. (page 152).

TABLE 3

OFFICIAL DIRECTOR	FIRST ALTERNATE DIRECTOR	SECOND ALTERNATE DIRECTOR
Evangelina Arias Vargas de Sologuren	Juan Antonio Proaño Arias	Carolina María Castro Quirós
Victoria Isabel Arias Vargas	Fernando Cantuarias Alfaro	Juan Antonio Proaño Arias
Victor Augusto Ostolaza Fernández-Prada	Carolina María Castro Quiros	Fernando Cantuarias Alfaro
Ana Carolina Arias Vargas de Picasso	Eduardo José Ferrero Costa	Ricardo Eleazar Revoredo Luna
Juan Antonio Assereto Duharte	Fernando Cantuarias Alfaro	Carlos Fernando Aranda Arce
Walter Eduardo Sologuren Jordan	Carlos Fernando Aranda Arce	Fernando Cantuarias Alfaro
José Néstor Marun	Juan Antonio Proaño Arias	Carolina María Castro Quirós
Adolfo Darío Arias Díaz	Carlos Fernando Aranda Arce	Carolina María Castro Quirós
José de Bernardis Cuglievan	Eduardo José Ferrero Costa	Ricardo Eleazar Revoredo Luna
Jorge Alfredo Picasso Salinas	Ricardo Eleazar Revoredo Luna	Rafael Bernardo Picasso Salinas
José Enrique Picasso Salinas	Ricardo Eleazar Revoredo Luna	Rafael Bernardo Picasso Salinas

EXECUTIVE COMMITTEE MEMBERS

TABLE 4

OFFICIAL MEMBERS	ALTERNATE MEMBERS
Evangelina Arias Vargas de Sologuren	Juan Antonio Assereto Duharte
José Enrique Picasso Salinas	Jorge Alfredo Picasso Salinas
Victor Augusto Ostolaza Fernández – Prada	Walter Eduardo Sologuren Jordan
José de Bernardis Cuglievan	

AWARDS AND RECOGNITIONS

TABLA 5

CONFERRED BY	MONTH	RECOGNITION / AWARD NAME
SGS	April	ISO 14001:2015 Certification
SGS	April	ISO 9001: 2015 Certification
SGS	April	OHSAS 18001:2007 Certification
Mexican Center for Philanthropy (Promoted by Peru 2021)	April	Socially Responsible Company Award
Sociedad Nacional de Industrias (National Industries Association) - Quality Management Committee - XXVIII Quality Week	October	Recognition in the production category, for the project called "Exploitation Optimization of the mineral block using metallic rings in the Guadalupe vein pits Guadalupe, Santa Maria Production unit" (CMC Team Mining)
Sociedad Nacional de Industrias (National Industries Association) - Quality Management Committee - XXVIII Quality Week	October	Recognition in the production category, for the project called "Operation optimization of the 7.5'x12' Ball Mill in Santa María Plant, improving the design of the cylinder steel lining (CMC Los Tigres)
AOTS PERU- Asociacion Kenshu Kiokay del Peru (Kenshy Kiokay Association of Peru): 5S National Award	November	5S Award – Gold Medal. For Santa Maria and Marañon production units
AOTS PERU- Asociacion Kenshu Kiokay del Peru (Kenshy Kiokay Association of Peru): 5S National Award	November	5S Award – Gold Medal. Lima office (Surco and Chorrillos)

OUR ESSENTIAL PURPOSE

vision

TO BE THE COMPANY YOU CAN FEEL PROUD OF WORKING WITH.

mission

TO RESPONSIBLY TRANSFORM OUR MINERAL WEALTH INTO DEVELOPMENT OPPORTUNITIES.



key principles and values

Together with our Vision and Mission, we have established new principles and key values as of 2015.

- **SAFETY AND SECURITY**
We take care of our lives, our health and our welfare and that of our colleagues.
- **RESPONSIBILITY**
We are proud of our work, and responsible for our results. We are not afraid of making mistakes, we correct them, and we improve every day.
- **TEAMWORK**
Together we find the best solution and results. We are not arrogant, and we respect other people's ideas.

- **RESPECT**
We treat others as we want to be treated. We walk our talk. We comply with the law and we care for nature.
- **INTEGRITY**
We are honest and fair; we act ethically and correctly.
- **PRODUCTIVITY**
We are committed to produce more, in a better way and through adequate use of our resources. We respond and adapt easily to change.
- **LEARNING AND TEACHING**
I ask if don't know something, and I share what I know.



sustainability

STATEMENT



Poderosa is mainly a gold producing mining company, committed to the development of its stakeholders. To this purpose, we believe that it is our obligation to be a sustainable company, by achieving positive social impacts and adequate economic results. We are committed to working ethically and under the good corporate governance principles, to be a good employer, a good neighbor and to respect the environment.



We believe in being a good employer. To achieve this goal, we provide a safe working environment, decent camp sites, adequate infrastructure, competitive salaries and a healthy working environment. We promote respect, teamwork, productivity, continuous improvement, knowledge exchange and innovation.



We believe in being a good neighbor. We treat the communities with respect, and we contribute to local development by promoting, within our possibilities, the advancement of their economies, education, health and governance within our area of influence.



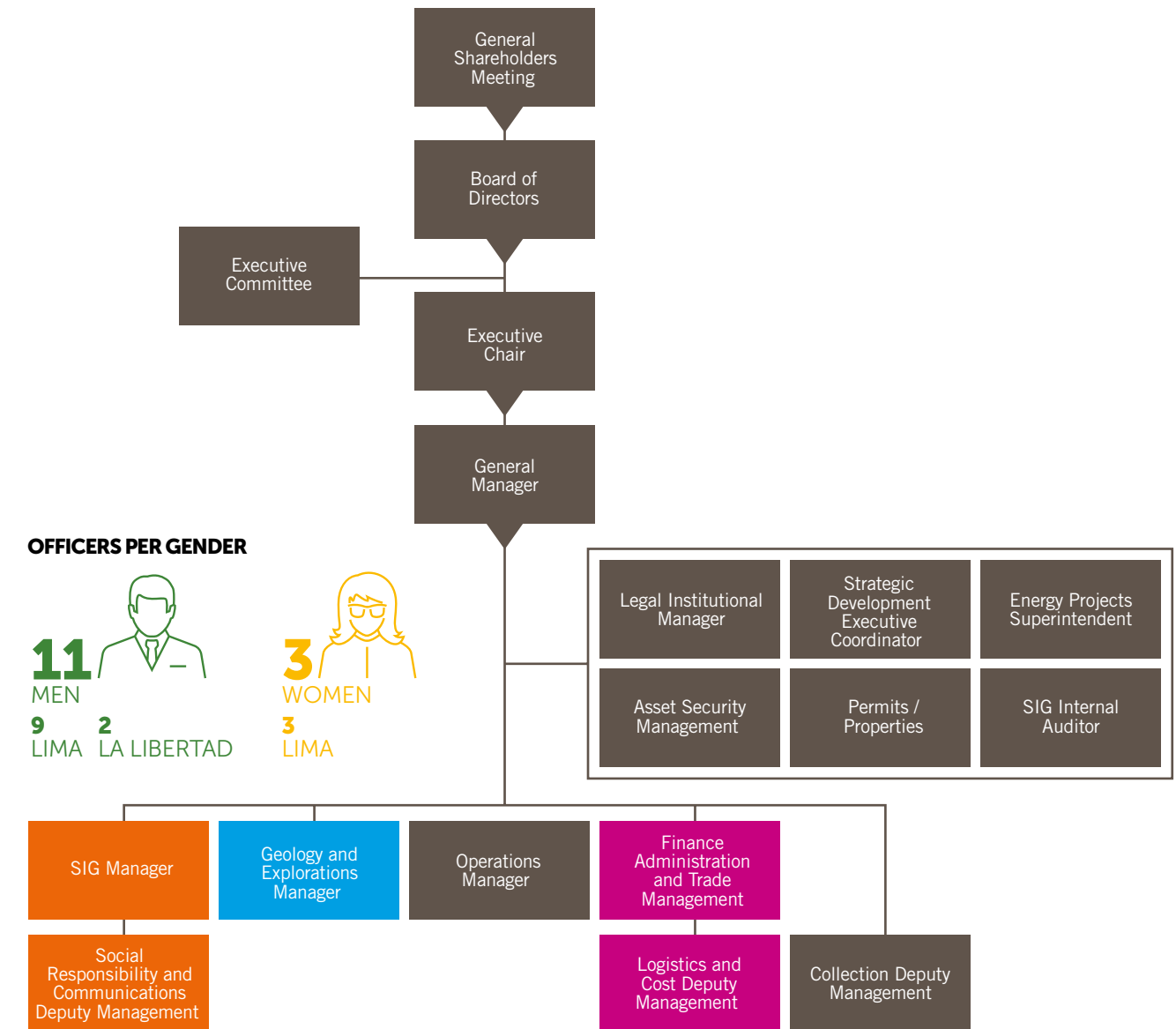
We believe that is urgent that our stakeholders trust us, therefore it is absolutely necessary that we work under the legal framework and with moral solvency. We therefore commit ourselves to work transparently, to abide by clear policies, to condemn any kind of corruption, to act against asset laundry and to reject forced and child labor.



We believe in sustainable and responsible use of natural resources. Although every human activity has an impact on the environment, we want to prevent, reduce and mitigate any negative impacts we might generate.

ORGANIZATIONAL STRUCTURE

GRAPH 1
Organizational flowchart



OFFICERS RESUME

The professional background of our Officers is detailed in Appendix 2 to this report. (pag. 157).

MAIN IMPACTS AND OPPORTUNITIES

GOLD PRICE

The average gold price in 2018 (USD 1,268.48/oz) exceeded the 2017 quotation (USD 1,257.14/oz). Together with the price of the US Dollar, gold was one of the safe havens for investors due to the fear related to the exit of Great Britain from the European Union and to the fall in the main stock exchange markets, which underwent their worst year since 2008. The United States Federal Reserve increased the reference rate to 2.5%, however, the expectation created by three possible increases in 2019, was reduced to two. The factors that had an influence on the plummeting of the stock exchange markets persist until today, which leads us to believe that we will continue to witness a favorable environment for the price of gold.

TABLE 6
Gold price

YEAR	AVERAGE GOLD PRICE
2018	1,268.48
2017	1,257.14
2016	1,250.79
2015	1,160.06
2014	1,266.40
2013	1,411.22

PERMITS

Environmental permits to explore the north area of our operations are still pending, which represents delays in the expansion of our Marañon mining unit. This situation is like that of the permits for electric generation projects, meaning that there are delays

in the construction of hydroelectric projects and the high-power line. As a result, we have been forced to use our thermal power station to complement the energy we purchase from the National Interconnected Grid.

On the other side, we were authorized to build the Santa Maria I beneficiation plant to 1,000 tons per day, in two stages (800 and 1,000 t/d). We expect to complete the first stage by mid-2019.

In this line, the approval to expand the Marañon plant was passed. A 9.5x12' mill was installed towards the end of the year, together with three flat bottom 15" diameter cyclones, 4 8"x 6" pumps, one HC1 spiral line, two 4"x 3" pumps and a 10" funnel-shaped three-cyclone nest. This has allowed to have an installed capacity of 800 t/d.

ISO STANDARDS, 5 S AND CIC

We finished the migration process to the 2015 versions of the ISO 9001 and 14001 standards. In addition, we started to adapt our processes to standard ISO 37001, which certification we expect to obtain in the second quarter of 2019.

Our Ethics Code strengthens 5S, the Continuous Improvement Circles (CIC) and is applied to every one of our processes. This code, together with our ISO 9001, ISO 14001 and OHSAS 18001 certifications, allows us being a highly competitive, socially responsible company with low costs.



RESERVES

Mineral resources increased by 7%, accounting for 734,982 oz of gold contained in 1'344,904 tons of ore; a historic record for both indicators due to the results in the Santa Maria area. The situation in Marañon has not changed due to delays in permits and because we are still recognizing the structures discovered in the last few years. All the same, the mineral potential of the veins recognized in the Pataz Batholith, both in the surface as inside the mine and from Lima ravine to River Yuracyacu, South, reached 7'473,108 ounces of gold.

PRODUCTION

500,187 t were treated with a 19.12 g/t grade, obtaining 279,537 ounces of gold. The collection mineral comes from artisanal mining in way of formalization that operate in our mining rights.

279,543 ounces of gold fines were exported in 2018.

SAFETY AND SECURITY

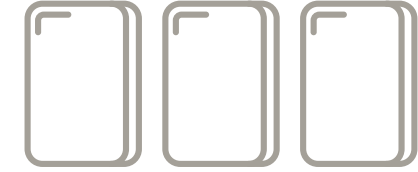
Safety and security event rate per 200,000 man hours worked has fallen in 64% compared to 2017. There were no casualties; however, we continue to work on the Bradley curve security culture.

FORMALIZATION OF ARTISANAL MINERS

32 artisanal miners were formalized.

POWER TRANSMISSION LINES

Administrative procedures and were carried out and negotiations were held to obtain the right of use for access to the Ramada substation, in Huamachuco, to install the 138 KVA (LAT) power transmission line. We expect to solve this by the first half of 2019.

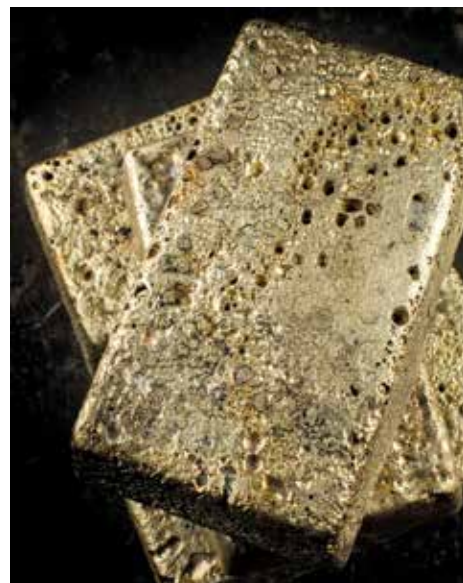
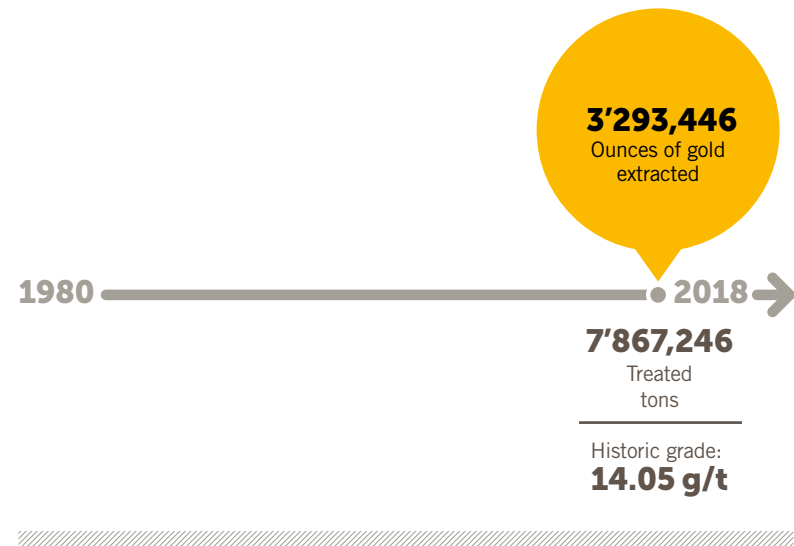


Mineral resources increased by 7%, accounting for 734,982 oz of gold contained in 1'344,904 tons of ore; a historic record for both indicators due to the results in the Santa Maria area.

PRODUCTION HISTORIC EVOLUTION

Since the start of our operations, and until the end of 2018, we have extracted 3'293,446 of gold and treated 7'867,246 tons of ore. As of today, the historic grade of the field is 14.05 grams of gold per metric ton (g/t).

GRAPH 2
Production historic evolution



CORPORATE AND LEGAL INFORMATION

The purpose of Poderosa is to develop mining activities, in general. This economic activity, according to the International Standard Industrial Classification (ISIC), established by the United Nations, corresponds to section B, division 07, extraction of metallic minerals, group 072, class 0729. It has an indefinite duration.

Poderosa was incorporated before Notary Dr. Gaston E. Barboza Bezada, Notary Public of Lima, through a notarial recorded instrument dated May 5, 1980, registered on page 395, volume 24, of the Registry of Mining Corporations of the Public Registry of Mines. On January 7, 1999, Poderosa adjusted its bylaws to the new General Corporations Act, before Notary Public of Lima, Dr. Ricardo Fernandini Barreda. This adjustment was recorded on

entry 75 of file 24395 of the Book of Corporations and Other Legal Entities of the Public Registry of Mines. On June 9, 2008, the bylaws were totally modified before Notary Public of Lima, Dr. Jorge Orihuela Iberico, and registered in page B 0002 of the electronic file 01204769 of the Registry of Legal Entities of the Ninth Registration Area – Lima Office.

PERMITS, APPROVALS AND AUTHORIZATIONS

We strictly comply with domestic and international standards and regulations that govern our activity.

Appendix 3 includes a list of permits, approvals and authorizations that we have obtained, and which allow us to operate in harmony with our surroundings: government institutions, society, the environment, and other stakeholders.

COMMITMENT WITH THE INDUSTRY AND THE SOCIETY

We actively cooperate with civil society unions, institutions and organizations related to the mining industry that share similar objectives to ours.

NATIONAL MINING, OIL AND ENERGY ASSOCIATION (SNMPE):

We actively participate in several of its committees and have adhered to their code of conduct.

Peru 2021 Patronage:

We are a member of this organization that promotes social responsibility practices at corporate, government and citizenship level.

We are also part of the following institutions:

- Peruvian Canadian Chamber of Commerce
- Mining Safety Institute (ISEM)
- Lima Chamber of Commerce
- La Libertad Chamber of Commerce and Production
- Pro Libertad Business Group
- Peruvian Mining Engineers Institute
- Universidad Nacional de Ingenieria Patronage
- Asociacion para el Progreso de la Direccion (APD)
- Asociacion de Buenos Empleadores (ABE)
- Soluciones Empresariales contra la pobreza (SEP)
- Alianza para Obras por Impuestos (ALOXI)

We are committed to the sustainable development of our area of influence, the region and the country. At a local level, we participate and work together with the regional government through agreements with its management areas (health, education, etc.) and we conduct works for taxes programs; we work with the provincial government, through a framework agreement and with the district governments through agreements to perform development projects through Asociacion Pataz or through our Community Relations Office.

Poderosa has not adhered to any external sustainability or social responsibility initiatives. However, its policies, principles and management systems are aligned with global initiatives or guidelines in force. Also, it has been issued ISO 9001, 14001 and 18001 certifications by SGS and OSHA. At the same time, Asociacion Pataz works according to the sustainable development goals established by the United Nations (UN).



MARKETS AND CLIENTS

The trade area is responsible for meeting our clients' and suppliers' requirements. During 2018, there were no complaints, which indicates we are in the right path.

We measure customer satisfaction through annual surveys, which give us feedback regarding our products or services. The survey results and ongoing communication with clients and suppliers are shared with the corresponding areas-

Regarding our product, we produce dore bars for approximately 55% gold, 40% silver and the rest is made up of other metals. The bars are sent to refineries abroad that are LBMA certified, to obtain bars with the London Good Delivery seal (the most appreciated quality standard of precious metals). 99.99% gold and silver bars are sold to our clients in New York or Switzerland, specifically to the largest metal trader in the world.

During 2018, gold production was 8% higher than forecasted. We managed to produce 279,543 ounces of gold fine and 229,148 ounces of silver. Out of our total production, gold accounted for 99% and silver, 1%. The average market price was USD 1,268.48 per ounce of gold, however we obtained an average price of USD 1,267.68 per ounce. All the same, the average price of silver in the international market was USD 15.70 per ounce, reaching an annual peak of USD 17.55 in January and a minimum of USD 13.99 in November.

Production was exported to Canada, where it is refined and then sold to banks or first level metal traders in the United States of America.



Gold production was 8% higher than forecasted. We managed to produce 279,543 ounces of gold fine and 229,148 ounces of silver. Out of our total production, gold accounted for 99% and silver for 1%.



INTERNATIONAL AND DOMESTIC OUTLOOK

INTERNATIONAL OUTLOOK

During 2018, several variables had an impact on developed and emerging economies. One of them was the trade disagreements between the USA and China, which had repercussions on investment, infrastructure, stock exchanges, consumer, investor and manufacturers' perception; and which brought about smaller perspectives for global trade. Given this situation, the IMF reviewed its global growth forecast, reducing it to 3.7%², compared to 2017. On the other hand, world inflation rate (except for Venezuela) stayed within the reference ratios of the central banks. Annual growth in developed economies was 2.4% and that of developing economies reached 4.7%. The US economy showed sound results; however, investment fell due to the uncertainty generated by the negotiation of trade barriers with China. China, on the other side, grew 6.6%³, the lowest rate since 1990, despite its expansive monetary policies and tax measures. Exports, imports, manufacturing, among other activities decreased. China's slowdown had repercussions in some emerging economies.

² IMF Global Outlook 2018

³ BBVA Research, China Better than expected Q4 GDP ends 2018, Jinyue Dong and Le Xia, January 2019



Compared to 2017, quotation of the main base metals plummeted in 2018, due to a low demand from China and the uncertainty as a result of the trade war. The average price of copper was USD 6,544.96⁴, with a maximum peak of USD 7,332 and a minimum of USD 5,801. The price of zinc was another big loser, falling in 26% compared to the previous year.

However this uncertainty, added to the expectations resulting from the increase of the US Federal Reserve rates, benefitted gold, which reached an average price of USD 1,269.02 per ounce, with minimum values of USD 1,160 in August, but which finally recovered due to risk aversion, closing the year at USD 1,268.48

For these same reasons, global stock exchange markets showed great volatility. In contrast to the excellent results in the previous year, the index of the main stock exchange markets plummeted. The two main indexes of the US stock exchange fell: 12.15%, in the S&P, and 10.68%, in the Dow Jones industrial index. All the same, the eurozone saw a shortfall of its main stock exchange indexes: the German DAX index fell 19.91% and the FTSE UK index, 12.63%.

Unlike the metals and the stock exchange markets, the US Dollar accrued profits, pushed by the economic recovery, mainly in the labor and internal consumption sectors⁵. The US Dollar index, which measures its strength against other strong currencies, increased in 6.6%; while the Euro shrank 4.91% compared to the US



Dollar, due to the slowdown of the economy as a result of political conflicts, budget, lower exports and the exit of the UK from the European Union .

The International Monetary Fund predicts that world growth in 2019 will be 3.7%, mostly supported by the emerging economies, that will grow 4.7%, according to its forecasts. However, it estimates a smaller growth of the developed economies, in 2.1%. A reduction in world trade is expected as a result of the tariff barriers that the USA is planning to impose on Chinese imported goods. All the same, inflation is expected to remain stable.

DOMESTIC OUTLOOK

The Peruvian economy also suffered the consequences of the world uncertainty and of its own political situation. During the first half of the year, the economy behaved more actively, but as global instability grew, it became weaker all the same, as a result of political



Despite the fall in metal prices, its main export, the economy rose above that of 2017.

clashes and corruption accusations, President Pedro Pablo Kuczynski resigned to his position and his Vice President, Martin Vizcarra, assumed office in March 2018.

Despite the fall in metal prices, the economy rose above that of 2017. The Central Reserve Bank expects 4%⁶ growth, placing Peru among the economies with better growth levels in Latin America, once again. This growth can be attributed to an increase in private and public investment, larger number of non-traditional exports, and internal demand; all the same, the agriculture, fishery and manufacturing industries made a significant contribution. On the other hand, lower production levels and lower gold grades, as well as a fall in the prices of the main minerals affected the mining and metallurgy industries.

⁴ Bloomberg Finance LP
⁵ Inflation Report. Peruvian Central Reserve Bank , December 2018

⁶ Ibid



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The Peruvian Sol followed the trend of the main currencies, with a depreciation of 3.5%⁷ compared to the US Dollar. Despite this shortfall, it showed better performance compared to other currencies in the region. Risk aversion led many investors to increase their participation in safer currencies, and to seek refuge in US Treasury Bonds. All the same, the repeated interventions by the Central Bank of Peru helped to keep a stable exchange rate and volatility under control.

The trade balance had a surplus of around USD 6,000 million, as of November 2018⁸. Non-traditional exports thrusted this trade surplus and balanced the effect of lower prices of the main commodities, with direct impact in the Peruvian traditional exports (around 30% in mining products).

The inflation rate in 2018 was 2.1%, according to the estimation of the Central Reserve Bank., This level is within the goal established, but is higher than that recorded in 2017. The inflation was the result of expenditure in education, vehicles and some agricultural foods.

The Lima general stock exchange index decreased by 0.40% and the selective index fell 3.12%⁹. The most profitable industry was finances, while the less profitable were industry, mining and construction¹⁰. All the same, the total negotiated amount shrank 30.6% compared to the previous year.

Despite the external and internal situations, Perú continued in the growth path. It is expected that in 2019 consumption and private investment will move the economy. The Central Reserve Bank forecasts a 4%¹¹ GDP growth for 2019, supported by the recovery of copper production and by an increase in goods and services exports.

⁷ Ibid

⁸ Ibid

⁹ Stock Exchange Report. Lima Stock Exchange, December 2018

¹⁰ Weekly Note. Peruvian Central Reserve Bank, January 2019

¹¹ Inflation Report. Peruvian Central Reserve Bank, December 2018

OUR SOCIAL RESPONSIBILITY APPROACH

Our 2018 Sustainability Report is called: Integrity: The power of sustainable development lies in our actions. In this report, we express our commitment with our country to act ethically and transparently, fully complying with our Sustainability Statement, which is the framework for our policies and actions, reflecting our commitment with our stakeholders and which aims at achieving a positive social impact and adequate economic results.

Operational excellence leads our work, within the legal framework and with moral solvency, with social and environmental responsibility approach inside and outside our Company, which allows us to gain the confidence of our stakeholders.

Every business practice and that of our workers or representatives before any institution must follow our Comprehensive Security, Occupational Health, Environment and Quality Policy established under our principles.



Management Policy

We are a primarily a gold mining company. Our mission is to responsibly transform our mineral wealth into development opportunities. We seek to ensure our operations are sustainable and thus we are committed to:

- Focusing all our efforts to comply with our vision, mission and sustainability statement, established principles and values, and to achieve our strategic goals.
- Demonstrating visible line of command leadership with a responsible attitude towards safety, occupational health, environmental management and process quality.
- Acknowledging our stakeholders, their specific needs and requirements, while striving to provide satisfaction and helping them to manage their own progress.
- Developing teamwork, applying continuous improvement circles and the 5S philosophy in our daily activities.
- Continuously improving the performance of integrated management systems.
- Complying with the current legal framework and other voluntarily established requirements in all the activities carried out within our organization.
- Communicating and explaining our policies to every worker employed by or on behalf of Poderosa, as well as to ensure that these are made available to all stakeholders.

Quality Policy

- To jointly develop with our employees, effective processes, products and services that are part of a responsible production chain to meet stakeholders' expectations.

Environmental Policy

- Protect the environment by preventing, reducing and mitigating the negative impacts we generate.
- Encourage the responsible and sustainable use of natural resources from the life cycle perspective of our products.

Occupational Health and Safety Policy

- Prevent all types of work-related injuries, illnesses and incidents by identifying hazards, assessing and controlling risks in our processes.
- Foster participation and consultation of workers to maintain safe facilities and workplaces.

Rev. 06
March 2018

Mrs. Eva Arias de Sologuren
Chair of the Board of Directors

Eng. Russell Marcelo Santillana Salas
General Manager



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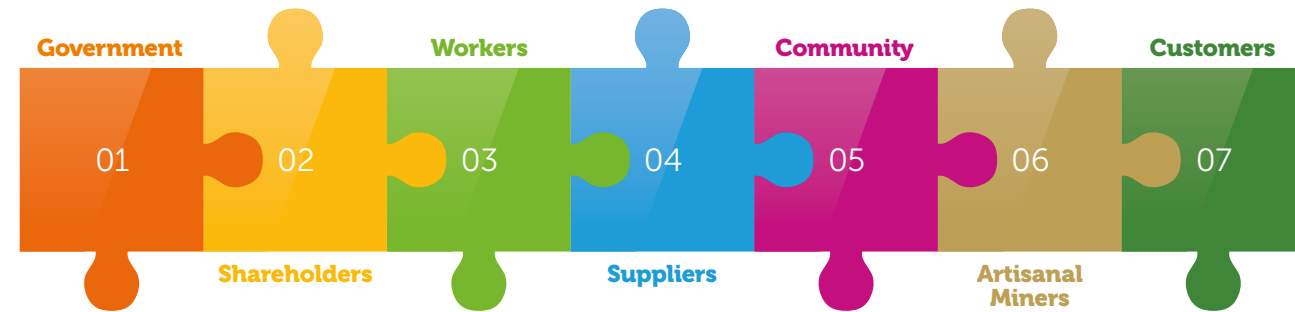
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STAKEHOLDERS

We have adopted the term "stakeholder", as defined in the Global Reporting Initiative (GRI) Standards Glossary:

Entities or individuals that can reasonably be expected to be significantly affected by the organization's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives".

GRAPH 3
Stakeholders



Based on a series of principles, we recognize the commitment to our stakeholders, and we promote dialog and communication with them, responding to their expectations and fostering friendly relationships based on trust and transparency.

On the following pages, we list the stakeholders that have been identified through an external and internal environment analysis of our organization. To this end, we have used mapping and perception studies, which also provide inputs for adequate relationship management with them.

TABLE 7
Stakeholders

STAKEHOLDERS	DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS
Shareholders: - Majority - Minority	They own the company's assets.	Generate increased economic value for the majority and minority shareholders.	- Important facts - Annual shareholders meeting - Web site - Annual Report - E-mails - Telephone	Company's economic and sustainable development results
Workers: - Workmen - Employees - Officers	Those who carry out daily tasks, from strategic management down to operations.	To respect individuals and their professional development. Furthermore, to provide a safe working environment, to watch over the health of our workers and to voluntarily comply with international standards, such as OHSAS 18001.	- Daily intranet - Batolito (quarterly) and special newsletter (bimonthly) - E-mails - Periodic meetings - Notice boards updated once a week - Suggestion box	Life quality improvement within the company. Pleasant working conditions and an enjoyable corporate environment. Good company economic performance and sustainability.

STAKEHOLDERS	DEFINITION	COMMITMENT	COMMUNICATION MEANS	MAIN EXPECTATIONS
Suppliers: - Local - Domestic - Foreign	The companies or organizations providing products or services to the company.	To advise small and the most vulnerable suppliers in business management matters, to recognize their right to progress, and to help them become agents of their own development.	- E-mails - Periodic scheduled meetings - Visits - Telephone	Timely payments. Growth and continuous development opportunities.
Community - Communities in the direct area of influence - Communities in the indirect area of influence	The communities and authorities directly or indirectly related to the company's operations. Civil society organizations and local and regional governments are also included.	To respect people and to contribute, within the scope of our operations, to the development of individuals, communities and Peruvian progress. To recognize our stakeholder's right to progress, and to help them become agents of their own development.	- Periodic meetings - Perception studies (biannual) - Community Batolito (quarterly) and special newsletter (annual) - Radio	Community and population development and welfare. Improvement of their roads, entrepreneurial and employment opportunities, increased products production and sales.
Government	Group of national, regional and local organizations directly or indirectly related with our activity.	We generate economic value and development for the country through the taxes we pay, and we carry out our activities respecting the laws and regulations that govern our industry.	Through the conducts established in the regulation that govern our economic activities.	Develop our activities with respect for the environmental and social regulations.
Artisanal miners	Formal artisanal miners working within our direct area of influence who deliver the mineral they extract to be processed by Poderosa.	Support them to carry out safe and environmentally friendly work. Be transparent in the analysis, processing and treatment of the mineral they deliver. Help them become agents of their own development and that of their community.	- E-mails - Periodic scheduled meetings - Technical Visits - Telephone	Transparent and timely liquidation process, ongoing possibility to grow and develop, support in safety and security aspects.
Customers	The buyers of our final product. There is no customer classification or category.	Produce gold in the most efficient, effective and flexible way. Maintain the quality of our processes and products, including the voluntary international standards, such as ISO 9001, that ensure customer satisfaction.	- E-mails - Periodic scheduled meetings - Biannual Survey - Telephone	A product that meets customer's specifications.

ISO 9001 AND ISO 14001 RECERTIFICATIONS

In order to continue being part of the set of leading and highly competitive organizations worldwide, we migrated the Integrated Management System to ISO 9001 and 14001 standards, version 2015. This way, we kept our certification and profited from its advantages: improving our performance, being more competitive and generating synergies between processes and management systems. The news in these versions are:

- Customer and interested party satisfaction
- Risk based approach
- Pollution prevention
- Continuous improvement, which is at the core of the systems. With respect to environmental management, the life cycle perspective has been included.



GOOD CORPORATE GOVERNANCE

The General Shareholders Meeting leads our governance structure. It is mainly accountable for the company's social management and annual results; it also elects and promotes the Board of Directors, appoints the external auditors, modifies the by-laws and restructures the company.

- The Board of Directors is the body responsible for managing the company
- The Executive Committee of the Board of Directors decides on any kind of situations that require an additional decision to the one made by the General Management.
- The Board of Directors' Auditing Committee supervises and ensured integrity and transparency of the corporate information and identifies and assesses risks that could affect the development of our operations.
- The Board of Directors Ethics and Good Corporate Governance Committee oversees the compliance with the Good Corporate Governance guidelines, mechanisms and procedures.
- The Strategy and Sustainability Committee designs, analyses and reviews strategies and plans.
- The General Management is responsible for the correct steering of the company; it executes the policies and decisions of the Board of Directors and General Shareholders Meetings.
- The Administrative, Finance and Trade Management; Operations Management, the Comprehensive Integrated Management, Social Responsibility Management and Geology and Explorations Management are each accountable for their own affairs, to meet the company's annual plan.

Our Board of Directors is made up by eleven official members and seven alternate members, elected by the General Shareholders Meeting for a three-year period. From the eleven official members, ten are non-executive Directors; eight are men and three are women. The Chairperson of our Board has been elected with executive functions.

The shareholders express their opinions directly during the general shareholders meeting. The company has not designed any additional procedure for the shareholders and workers to communicate their recommendations to the Board of Directors.

The Board reviews the company's performance in its monthly meetings or when it decides to hold a meeting. In these meetings, it deals with all kind of different matters, from operational, to financial, social and environmental. The attending officers are responsible for transmitting the relevant information to the workers. All the same, the Executive Committee reviews the company's performance.

On the other hand, there is no formal procedure to assess the Board of Directors' performance. The shareholders choose the board members based on their capacities and experience and assess the general performance of the Board of Directors. In the case of the Committees, the Board as a whole is responsible for appointing its representatives, following the same criteria. The company does not have an established procedure to deal with conflicts of interests within the Board.

Poderosa's Board of Directors has an Executive Committee, which meets on a weekly basis; a Hedging Committee, which meets to analyze the price situation of the metals produced. It also has an Auditing Committee, an Ethics and Good Governance Committee and a Strategy and Sustainability Committee.

The Board of Directors members receive a percentage of the yearly profits, according to the company by-laws, the General Corporate Law and pursuant to the agreement of the general shareholders' meeting.

SHAREHOLDERS

The company's capital stock is registered before the Lima Stock Exchange and the Securities Market Public Record since January 27, 2005.

The company has a capital stock of PEN 216'000,000 fully subscribed and paid. The capital stock is represented by 216'000,000 common shares at a



Our Board is composed by 11 members and 7 alternate members that are chosen by The General Shareholders Board for a 3 years period.



nominal value of PEN 1.00 each, with voting rights. 51.2201% of this stock corresponds to domestic shareholders (accounting for 110'635458 shares) and 48.7798% are held by non-domiciled shareholders, (a total of 105'364,542 shares). All the same, it is worth mentioning that Poderosa is not a part of any economic group.

TABLE 8
Shareholder breakdown

HOLDING	NUMBER OF SHAREHOLDERS	PARTICIPATION (%)
Less than 1%	155	95.09%
Between 1% - 5%	1	0.61%
Between 5% - 10%	2	1.23%
More than 10%	5	3.07%
Total	163	100%

Main shareholder number 1 is a non-domiciled legal entity, shareholders 2 and 3 are Peruvian domiciled individuals, shareholder 4 is a Peruvian domiciled legal entity and shareholders 5, 6 and 7 are non-domiciled legal entities.

TABLE 9
Participation of main shareholders

MAIN SHAREHOLDERS	NUMBER OF SHARES	PARTICIPATION (%)
Talingo Corporation	39,951,654	18.4961361%
Arias Vargas, Victoria Isabel	34,659,658	16.0461380%
Arias Vargas de Sologuren, Evangelina	32,869,290	15.2172639%
Cori Apu SAC	30,152,487	13.9594847%
South America Mining Investment	22,601,169	10.4635042%
Xelor Shipping Limited	20,799,962	9.6296120%
Zulema Invest Limited	20,799,961	9.6296116%

TABLE 10
Main Shareholders

N°	NAME	NATIONALITY
1	Talingo Corporation	Islas Virgenes Británicas
2	Arias Vargas, Victoria Isabel	Peruana
3	Arias Vargas de Sologuren, Evangelina	Peruana
4	Cori Apu SAC	Peruana
5	South America Mining Investment	Islas Virgenes Británicas
6	Xelor Shipping Limited	Islas Virgenes Británicas
7	Zulema Invest Limited	Islas Virgenes Británicas

DIVIDEND POLICY

On September 30, 2009 the company's general shareholders' meeting approved the following dividend policy: "The company shall distribute between 40% and 60% of the annual distributable profits, in cash".

STOCK EXCHANGE QUOTATION

During 2018, the shares were quoted as follows, in average.

TABLE 11
Variable Income

ISIN CODE	MNEMONIC	MONTH	QUOTATION 2018(PEN)				AVERAGE PRICE
			OPENING	CLOSING	MAXIMUM	MINIMUM	
PEP635001006	PODERC1	01	7.50	8.00	8.00	7.50	7.75
PEP635001006	PODERC1	02	-	-	-	-	-
PEP635001006	PODERC1	03	7.80	8.05	8.05	7.80	7.95
PEP635001006	PODERC1	04	7.60	9.35	9.35	7.60	8.85
PEP635001006	PODERC1	05	9.50	9.50	10.00	6.00	9.80
PEP635001006	PODERC1	06	10.00	12.00	12.00	10.00	11.21
PEP635001006	PODERC1	07	8.33	8.50	8.50	8.33	8.44
PEP635001006	PODERC1	08	8.60	8.30	9.00	8.30	8.63
PEP635001006	PODERC1	09	8.60	8.00	8.60	8.00	8.37
PEP635001006	PODERC1	10	8.25	7.50	8.25	7.00	7.87
PEP635001006	PODERC1	11	7.60	7.35	7.60	7.00	7.33
PEP635001006	PODERC1	12	7.35	7.30	7.35	7.30	7.34



The company will distribute between 40% and 60% of the annual distributable profits in cash.

TAX CONTINGENCIES

As of December 31st, 2018, there were several tax proceedings against the Tax Authority pending solution, most of them have been appealed before the Tax Court. The procedures refer to the following periods:

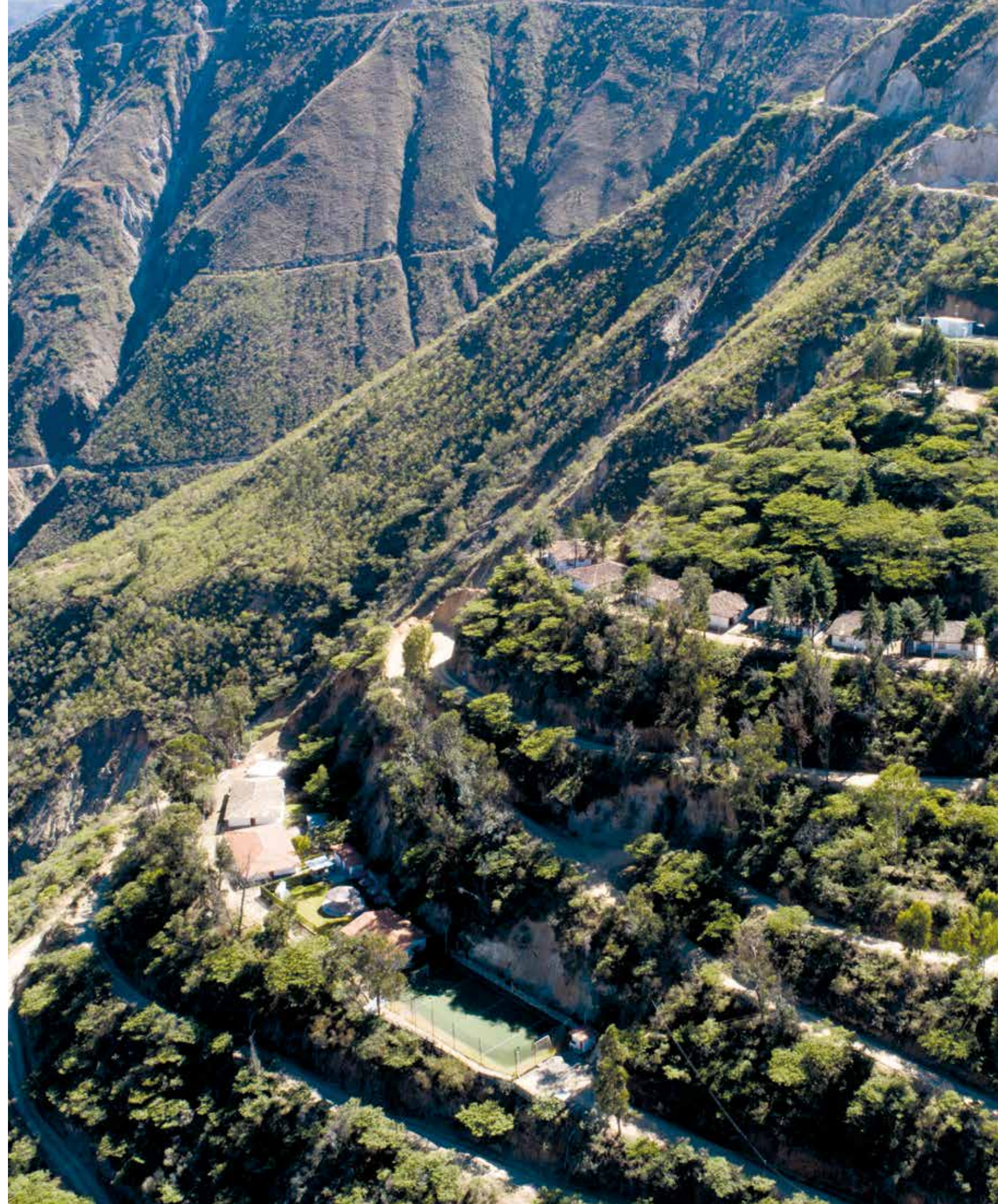
- **Income Tax for the year 2003:** Objections were determined which reduced 2003 tax loss in PEN 11'436,000 and imposed a fine of PEN 2,789,000 (interests not included) for an alleged loss which was unduly stated.
- **2009 Income Tax:** Objections were determined for an omitted amount of PEN 3'881,000 corresponding to the 2009 fiscal year income tax, plus PEN 980,000 for late interests accrued up to December 28th, 2011.
- **2010 Income Tax:** Objections were determined for an omitted amount of PEN 4'010,000 and a fine for PEN 5'630,000 for 2010 income tax adjustment.
- **2011 Income Tax:** The Tax Authority served the start of a partial control for the 2011 income tax. On June 2016 determination and fine orders were served, both have been challenged and are pending resolution by the Tax Administration.
- **2012 Income Tax:** The Tax Authority served the company with Determination Order No. 012-003-0054725, for the payment of Income Tax Adjustment for 2012, for a total amount of PEN 1,639,000. On November del 2015 determination and fine orders were received, both have been challenged and are pending resolution by the Tax Administration.
- **2013 Income Tax:** The information required was presented via magnetic media. The Tax Administration has not responded.
- **2010 General Sales Tax 2010:** Objections were determined for a total omitted amount of PEN 186,000.

Further details on these procedures can be found in CHAPTER 7 (page 166), Financial Statement.

LEGAL CONTINGENCIES

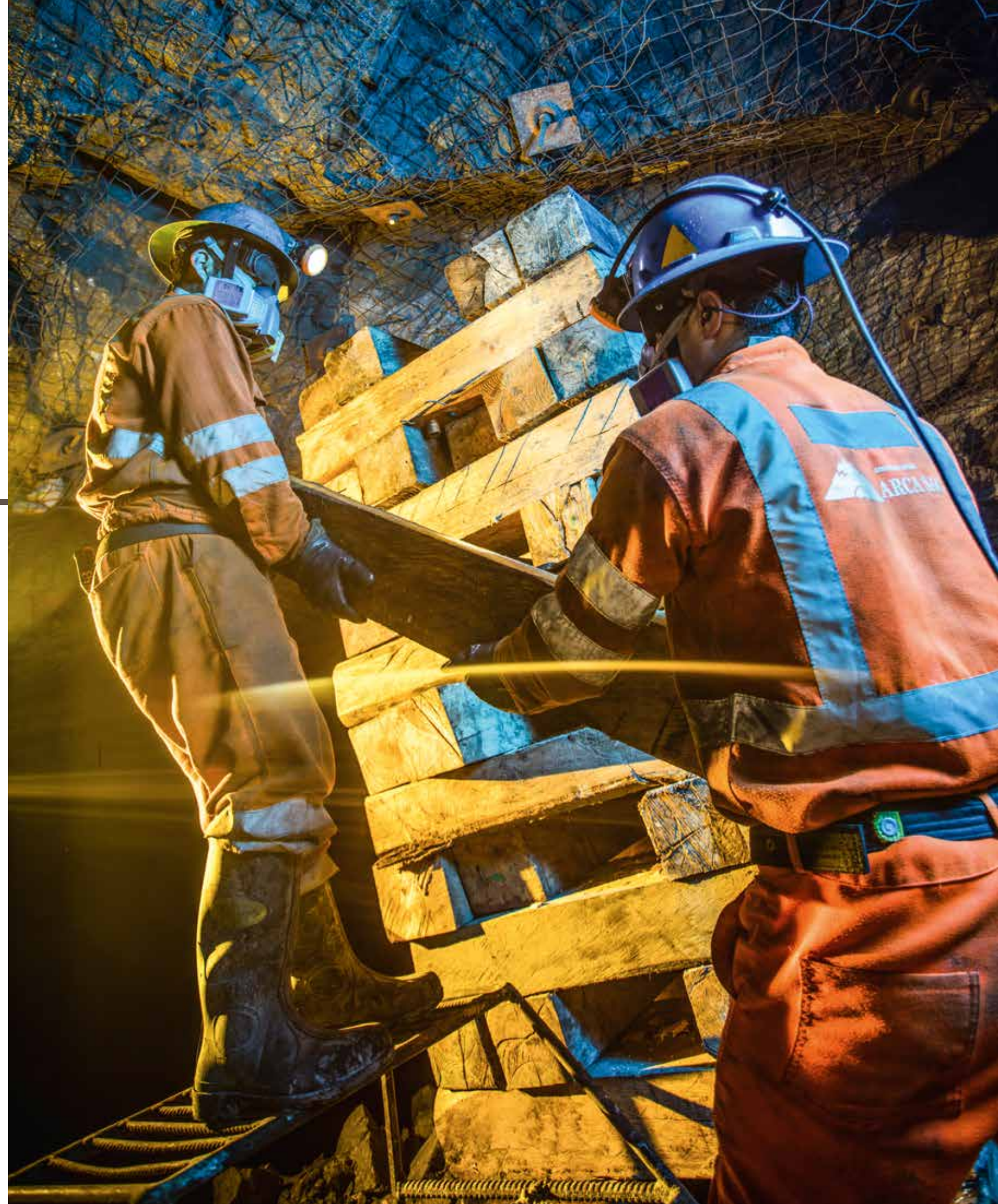
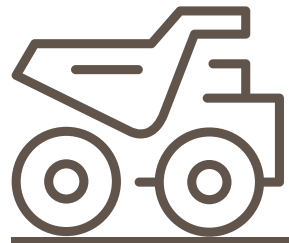
As of December 31, 2018 there were several pending complaints against the company, which include payment of the following: a) A claim for compensatory damages arising from an out of contract responsibility, and other for an approximate amount of PEN 450,000; b) obligation to pay PEN 6,200,000; c) Invalidity of an administrative action for PEN 4'002,000; and d) Social benefits to former company workers and contractors for approximately PEN 34'529,290.36.

The Management and its legal advisors estimate that given the sound legal arguments to obtain a favorable ruling, the result of these procedures for the company will not have a significant impact in our financial statement.



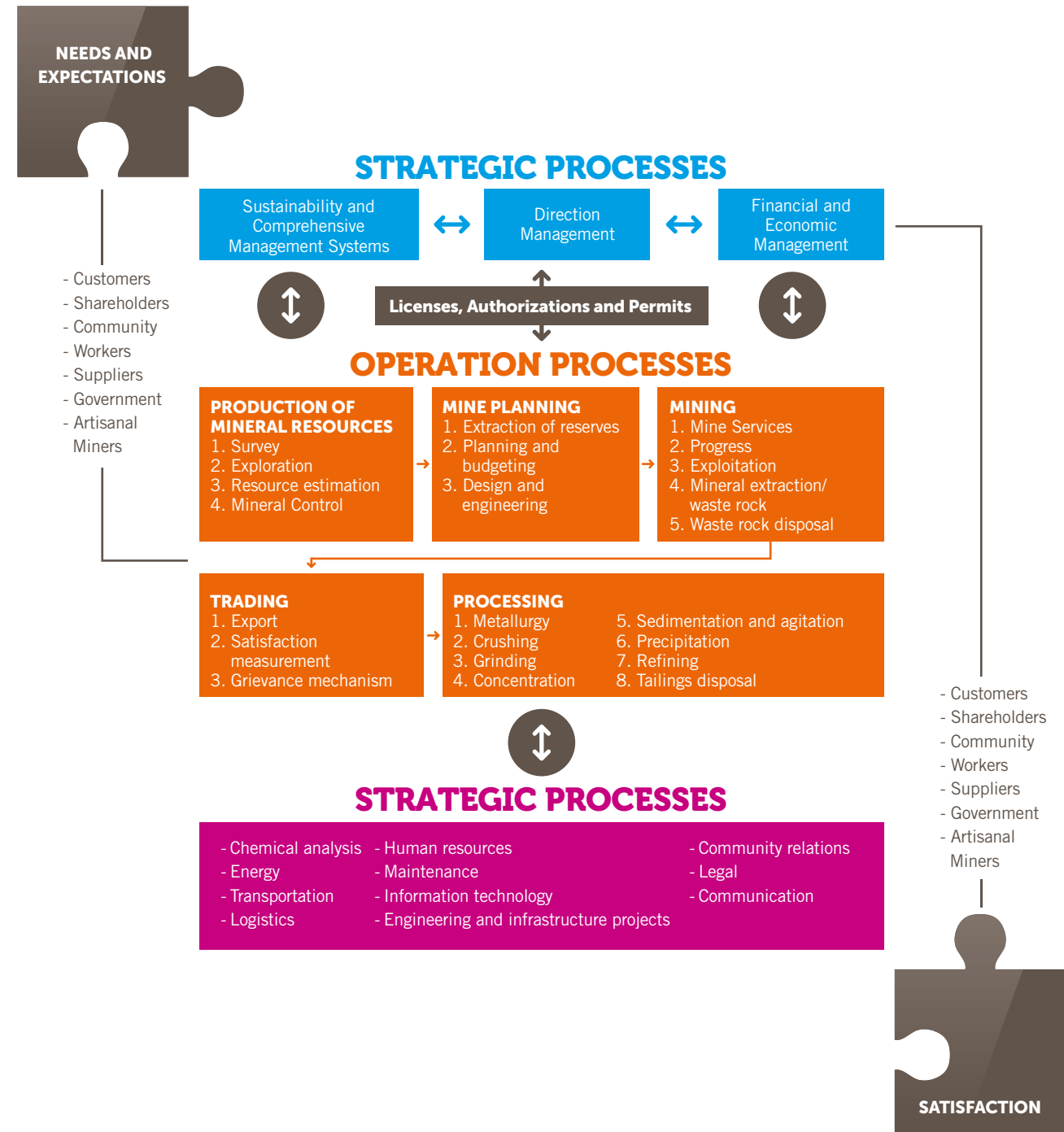
CHAPTER 2

operational excellence



PROCESS MAP

GRAPH 4
Process Map



MANAGEMENT INDEX

TABLE 12
Management Index

				2017 ACUM.	2018 ACUM.	
SECURITY		Frequency		3.01	2.07	
		Severity		1,032	133	
		Accidents		3.11	0.28	
		Near misses / incidents		945	1,103	
GEOLOGY	Progress		Progress DDH (m)	40,672	44,378	
	Resources		Resource Tons	1,281,688	1,344,904	
			Resource Ounces	684,686	734,982	
		Resource Grade		16.62	17.00	
RESERVES	Reserves		Reserves Tons	1,135,218	1,145,511	
			Reserves Ounces	637,775	666,220	
			Reserves Grade	17.47	18.09	
MINE						
Mineral sent to plant (Mine+LA) MT				385,113	393,543	
H + V Operation progress (m)				39,585	44,710	
Positioning work				9,572	10,110	
Development work				12,225	14,576	
Mine work				16,457	18,342	
Raise boring Progress					382	
Raise climber Progress				1,332	1,300	
Tmb/Tar_Total				2.76	2.81	
TMT/Tar_Total				1.13	0.90	
Prepared Mineral - (accessibility 0 - 3 months)				5.59	4.95	
PLANT	MARAÑÓN	Resource Production	Mine	Treated (Mt)	156,886	134,096
				Estimated mill head grade (gr/MT)	10.96	13.22
				Recovery (%)	92.39%	94.75%
				Production (ounces)	50,701	54,357
		Designated task		Treated (Mt)	10,648	19,789
				Estimated mill head grade (gr/MT)	42.40	36.74
			Recovery (%)	89.59%	89.15%	
			Production (ounces)	13,280	20,393	
	Potential production	Free exploration		Treated (Mt)	99,810	116,590
				Estimated mill head grade (gr/MT)	27.22	24.64
			Recovery (%)	87.01%	86.75%	
			Production (ounces)	76,036	80,249	
Marañón Accrued			Treated (Mt)	267,343	270,476	
			Estimated mill head grade (gr/MT)	18.28	19.86	
			Recovery (%)	89.14%	89.71%	
			Production (ounces)	140,017	154,999	
SANTA MARIA	Resource Production	Mine		Treated (Mt)	216,734	229,563
				Estimated mill head grade (gr/MT)	16.87	18.24
			Recovery (%)	92.81%	92.53%	
			Production (ounces)	108,874	124,506	
	Designated task		Treated (Mt)	2,399	148	
			Estimated mill head grade (gr/MT)	66.30	21.17	
		Recovery (%)	90.39%	87.15%		
		Production (ounces)	4,653	32		
Potential production	Free exploration		Treated (Mt)	1,737		
			Estimated mill head grade (gr/MT)	21.23		
		Recovery (%)	86.41%			
		Production (ounces)	1,057			

				2017 ACUM.	2018 ACUM.
PLANT	Santa Maria Accrued	Treated (Mt)		220,869	229,711
		Estimated mill head grade (gr/t)		17.44	18.24
		Recovery (%)		92.65%	92.53%
		Production (ounces)		114,583	124,538
PLANT	Collection (cl)	Treated (Mt)		101,547	116,590
		Estimated mill head grade (gr/t)		27.12	24.64
		Recovery (%)		87.00%	86.75%
		Production (ounces)		77,093	80,249
PLANT	Consolidated	Treated (Mt)		488,213	500,187
		Estimated mill head grade (gr/t)		17.90	19.12
		Recovery (%)		90.69%	90.95%
		Production (ounces)		254,600	279,537
MAINTENANCE					
Total Energy (MW-h)				68,600	73,666
Hydraulic Energy Cost (\$/kW-h)				0.0541	0.0594
Thermal Energy Cost (\$/kW-h)				0.4808	0.3854
SIN Cost (\$/kW-h)				0.0700	0.0611
Palca Energy (kW-h)					
Trackless Mechanic Availability				89.76%	89.92%
Conventional Mechanic Availability				83.19%	83.52%
kW-h /Gross metric ton				67.54	58.53
Kw -hr. / TMT				140.51	147.28
HUMAN RESOURCES					
Company Staff				718	709
Specialized company Staff				2,865	2,964
Operating Staff				2,795	2,865
Investment Staff				788	808
Total staff				3,583	3,673
Total mine staff (28/14)				2,389	2,449
Annual staff turnover (%)				59%	63%
SALES AND COSTS					
Sales Au and Ag (US\$)				319,772,964	357,923,640
Sales Au (oz.)				250,710	279,543
Average Au sale price (US\$/oz.)				1,261.3	1,267.7
Production Cost (US\$/Mt)				217.2	229.3
Production Cost (US\$/oz.)				473.1	441.3
Effective Cost (US\$/oz.)				589.5	550.5
Total Cost (US\$/oz.)				854.3	810.1
Cubing Cost US\$/cubed oz.				195.9	168.6
US\$/kW-h consolidated				0.0967	0.0944
INVESTMENT					
Investment US\$/oz.				493.70	491.78
Normal Investment US\$				41,923,527	49,487,197
Growth Investment US\$				44,161,447	46,937,130
FINANCES					
Ebitda (US\$) NIC 21 (last 12 months)				138,608,686	160,274,134
Ebitda (US\$) NIC 21 (2015)				138,608,686	160,274,134
Coverage Index (Ebitda/interests)				102.63	87.52
Leverage Index (total financial debt / Ebitda (last 12 months)				0.28	0.29
Additional banking financing US\$					
Collateral coverage = collateral / principal balance				29,668,666	21,528,749
				7.04	13.81

Note: Diluted Resources and Reserve, with the Real Dilution equation

GROWTH STRATEGY

PROSPECTION

During 2018 we carried out 44 field campaigns between the Las Calderas, Las Cristinas, Los Perversos, Nina Urqu, Batolito de Pataz, Santa Filomena, Ariabamba, Daniel and in Montañitas sector, Estrella Dorada, Cruz Grande, La Mashgua P, La Mashgua, La Savana, Las Ricachas and Uctubamba. An approximate surface of 35,000 hectares was covered through land geophysical surveys and sampling at different scales. All the same, the geo physical survey of land magnetometry was performed in Cruz Grande–Secseragra, and the Montañitas air magnetic data was reprocessed to improve geophysical interpretation and to determine in Depth targets. Specialized studies were carried out to continue research on tectonic evolution of the East Mountain Range in the Pataz province.

> TECTONIC EVOLUTION AND 4D STRUCTURAL MODELING PROJECT

This research and exploration project was carried out under an agreement with the Centre For Exploration Targeting, University of Western Australia with the purpose of establishing the tectonic evolution of the Northern sector of the East mountain range and its relation, in space and time, with the gold mineralization through



Mining exploration works comprised 24,686 meters of mining exploration activities and 44,378 meters of diamond drilling. The estimated ratio of mineral resources as of the end of 2018 was 10.74 oz Au/m (P+D).



4d modeling. This work is carried out at micro and regional scale, both in the surface and inside the mine. Different events of deformation, pre, non and post mineralization which have affected the rocks in the East mountain range and the Pataz, Montañitas, Uctubamba and Metal-Palina batholiths have been established, together with the geometry, textural development and cinematic of the Pataz veins.

EXPLORATION AND DEVELOPMENT

Mining exploration works comprised 24,686 meters of mining exploration activities and 44,378 meters of diamond drilling. The estimated ratio of mineral resources as of the end of 2018 was 10.74 oz Au/m (P+D).

> EXPLORATION AT MARAÑON PRODUCTION UNIT

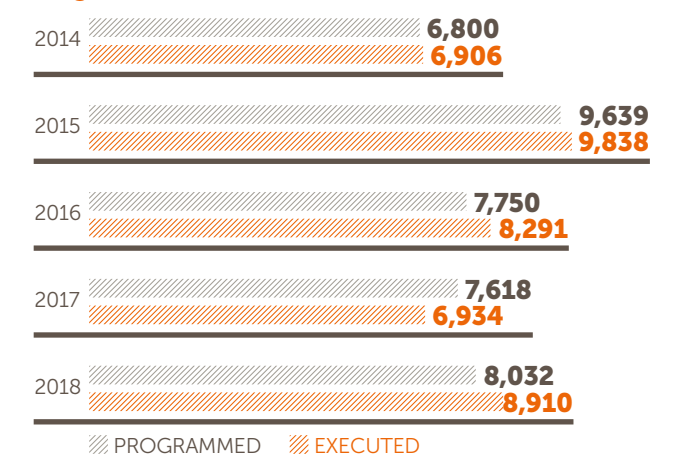
Explorations took place in the Karola Techo, Choloque, Pencas, Rosangela, Consuelo, Lola 1, and Arisa veins.

22,197 meters of diamond drilling were executed. With respect to mining activities, these comprised 8,910 meters out of which 3,754 meters corresponded to positioning works and 5,156 meters to development works.

The cut 5000 is being executed at level 1915, this will allow identifying new mineralized sector and the integration of the Marañon Production Unit with the Santa Maria Production Unit.

GRAPH 5

Progress (m) 2014-2018 Marañon Production Unit

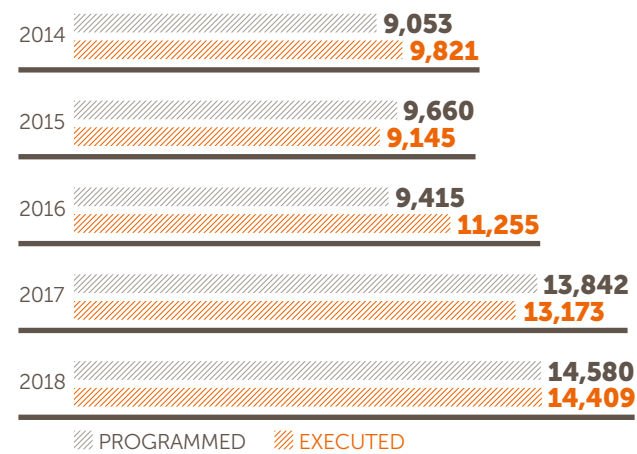


> EXPLORATION AT THE SANTA MARIA PRODUCTION UNIT

Exploration works took place in the San Francisco, Cristina, Virginia, Julie, San Vicente, Guadalupe, Briana, Samy, Romero Pampa, Maren, Santa Isabel and los Manzanos vein systems.

21,203 meters of diamond drilling were executed. With respect to mining activities, these comprised 14,409 meters, out of which 5,400 meters corresponded to positioning works and 9,009 meters to development works.

GRAPH 6
Progress (m) 2014-2018 Santa Maria Production Unit



> EXPLORATION AT THE SANTA MARIA PRODUCTION UNIT

Exploration works and diamond drilling took place in the 3190 level to have a position to get to Diana and El Carmen veins.

948 meters at diamond drilling were executed. In mining work 1,367 meters of which 956 meters correspond to position works and 411 meters to development works.

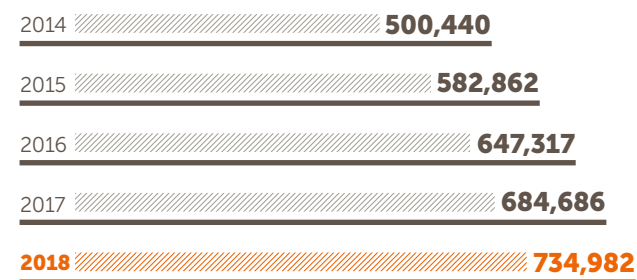
RESOURCES

At the end of the year, the company obtained 734,982 ounces of gold contained in 1'338,065 tons of mineral resources. Currently, the total content of gold in the field; that is, mineral resources, plus mineral extracted, reached 4'088,825 gold ounces.

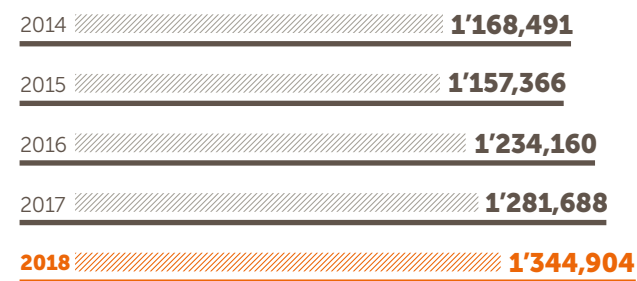
GRAPH 7
Resources



GRAPH 8
Total fine contents of gold ounces 2014-2018



GRAPH 9
Mineral resources in tons 2014-2018



OPERATIONS MANAGEMENT

Our goal is to responsibly transform our mineral wealth into development opportunities and to achieve the sustainability of our operations. To reach sustainability, we must maintain or increase mining production levels, for production has control over the mining techniques and cost, but not over the prices of the metals or the mineral available.

From this perspective, we aim at keeping 3 years of reserves, because, given the type of field, we would not be using resources efficiently if we kept reserves for more time. Discovering reserves is instrumental to decide production expansion.

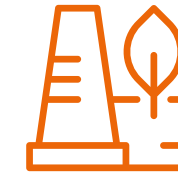
MINE

> MARAÑÓN PRODUCTION UNIT

Production was 87,414 t and 33,861 ounces of gold, which represented goal compliance of 68% and 73%, correspondingly. 54,938 t were produced, out of which 17,332 ounces of gold in exploration works; 21,933 t and 5,835 ounces of gold were produced in development and preparation works; in assigned works the total was 10,543 t and 10,693 ounces of gold. Mine recovery was 93.02%. Production deficit, among other factors, was the result of lack of reserves in the Choloque veins (levels 1915 and 1800), Karola Techo (levels 1450 and 1410), La Lima (level 1893) 1 and Pencas (level 1600). The pits of the Mercedes veins have been assigned to collection.

TABLE 13
Resource production –Marañón Mine (t)

TREATMENT	MARAÑÓN MINE		TOTAL
	ORIGIN	MARAÑÓN PLANT	
2014	185,335		185,335
2015	170,089		170,089
2016	142,618	110	142,728
2017	130,320		130,320
2018	87,414		87,414



Our goal is to responsibly transform our mineral wealth into development opportunities and to achieve the sustainability of our operations.

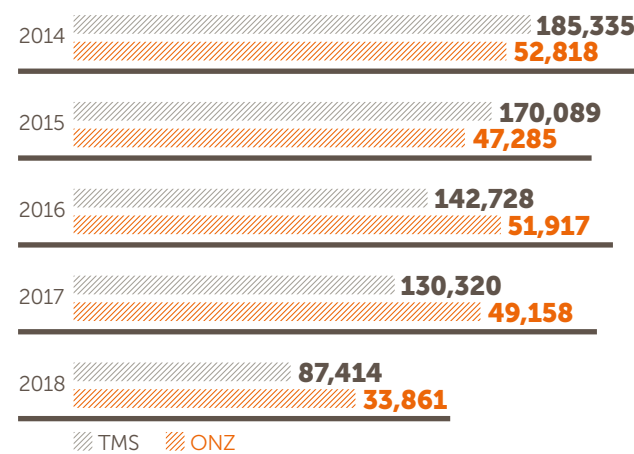


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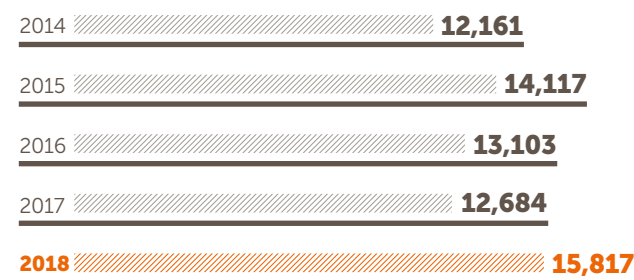
TABLE 14
Resource production – Marañón Mine (oz)

TREATMENT	MARAÑÓN MINE		
	ORIGIN	MARAÑÓN PLANT	SANTA MARÍA PLANT
2014		52,818	
2015		47,285	
2016		51,859	58
2017		49,158	
2018		33,861	
			33,861

GRAPH 10
Historic resource production – Marañón Mine



GRAPH 11
Annual Progress Marañón Mine (m)



Improvement in mining operations

Radio communication system: More than 4 km of leaky feeder cable were installed in Pencas, Karola and Estrella mines to improve operation efficiency.

Gas monitoring system and main ventilator control in Papagayo mine:

Gas monitoring equipment was installed in RC 37, level 1915. The SCADA program was implemented for the automation of the main fans.

Consuelo Mine: The Deisy ramp at level 2300 was started to cut Consuelo vein at level 2250, currently, the ramp is at level 2280. Progress was made at GL SE 2 level 2300 in Lola 1 vein, to carry out preparation and exploitation works. CR E at level 2300, Lola vein, and CR S level 2475, Consuelo vein, were executed together as positioning works for the diamantine chamber for ventilation; all the same, ramp 3090 was developed at level 2450, to integrate the ventilation of 2300 up to 2475. The drainage drill at level 2300 was communicated with level 1915, Consuelo vein.

> SANTA MARIA PRODUCTION UNIT

296,182 t and 165,427 ounces of gold were produced. Mine recovery was 92.78%. Pit production was 122,386 t and 98,927 ounces of gold; 164,402 t and 56,769 ounces of gold in development and preparation works; and 9,394 t and 9,731 ounces of gold in assigned works.

All the same, 28,010 meters of vertical and horizontal progress were executed, out of which 5,490 m represented development works, 14,409 m exploration works and 8,111 m preparation works.

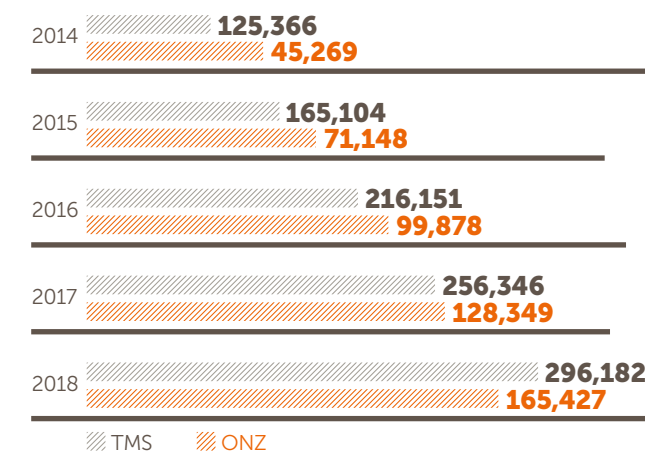
TABLE 15
Resource production – Santa Maria Mine (t)

TREATMENT	SANTA MARIA MINE		
	ORIGIN	MARAÑÓN PLANT	SANTA MARÍA PLANT
2014		33,718	91,648
2015		11,447	153,657
2016		42,637	173,514
2017		37,213	219,132
2018		66,471	229,711
			296,182

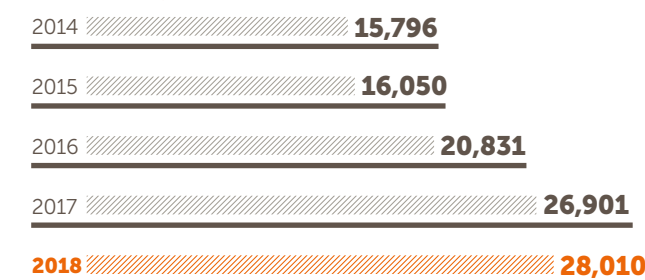
TABLE 16
Resource production – Santa Maria Mine (oz)

TREATMENT	SANTA MARIA MINE		
	ORIGIN	MARAÑÓN PLANT	SANTA MARÍA PLANT
2014		9,377	35,892
2015		6,688	64,460
2016		17,414	82,464
2017		14,822	113,527
2018		40,889	124,538
			165,427

GRAPH 12
Historic resource production – Santa Maria Mine



GRAPH 13
Annual progress Santa Maria Mine (m)

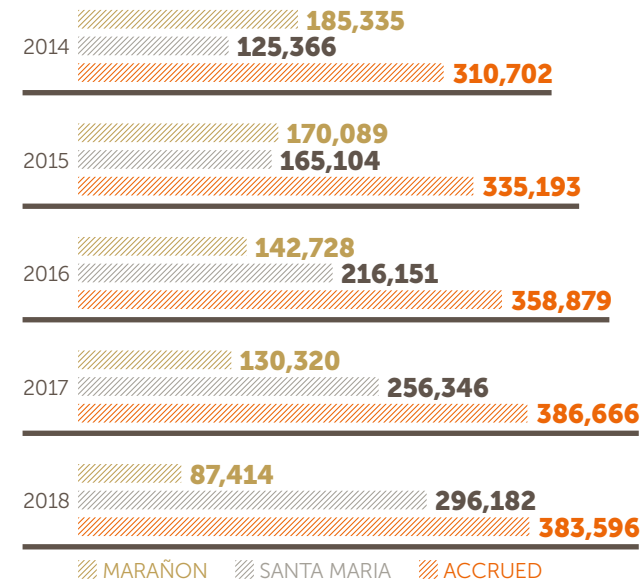


Improvements in mine operation

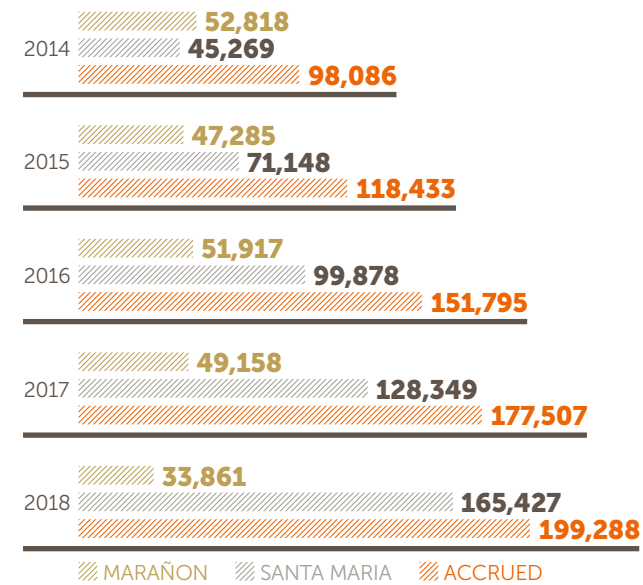
- Timber is being replaced by anchor bolts, steel arches and shotcrete.
- Metallic rings were installed in the recovery of pillars from the pits.
- Productivity of the pits was increased by massive blasting with non-electric detonators.
- Fine recovery was carried out in the different works through sweeping, use of a vacuum in the pits, and cleaning of ponds and roads. 1,414 ounces of gold were recovered.
- The radio communication system was expanded by using a leaky feeder radiant cable.



GRAPH 14
Accrued historic resource production – Marañón and Santa Maria mines (TMS)



GRAPH 15
Accrued historic resource production – Marañón and Santa Maria mines (oz)



PLANT

500,187 t were processed in the Marañon and Santa Maria I plants, obtaining 279,537 ounces of gold. Out of the total processed, 270,476 t corresponded to the Marañon plant and 229,711 t to the Santa Maria I plant. Accrued gold recovery at the beneficiation plants was 90.95%. We highlight the following achievements during this year:

> MARAÑÓN PLANT

- The quality of the crushed product below 3/8" was kept in average above 97.4%.
- The grinding grade was maintained in the M6'x6' circuit, 85% smaller than the 400 mesh (38um) and in the M5' x10' circuit it was maintained in 87,3% smaller than the 400 mesh.
- Improvements continued in the precipitation sub process, therefore increasing gold recovery from 98.53% to 98.79% and the gold and silver grade increase in the precipitate from 40.4% to 49.5%.
- 1,043 ounces of gold were sent back from the gold tailings pond in the solution recirculated at the plant.
- Total recovery increased from 90.69% to 90.95%, by maintaining cyanide strength in the 8'x10' and 5' x10' mills in 1500 ppm.



In addition, the following investment projects were developed:

- The overhaul of thickener N°5 was completed by 100%.
- In the grinding facility, the 9.5'x12' mill was completely installed.
- In the refining facility, the induction oven was installed.
- The treated volume in the precipitation chamber increased by 27% compared to 2017, improving the washing ratio.
- The press filter was installed in the leaching filtering plant; the electric facilities are pending.

> SANTA MARÍA I PLANT

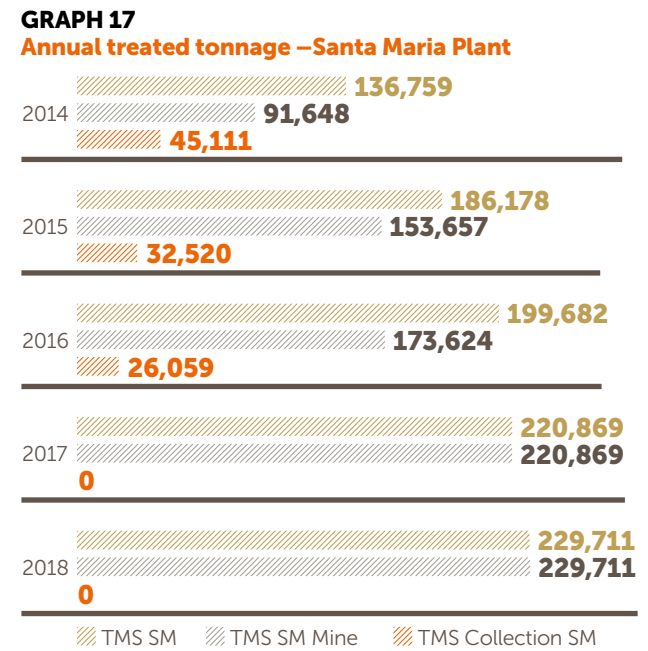
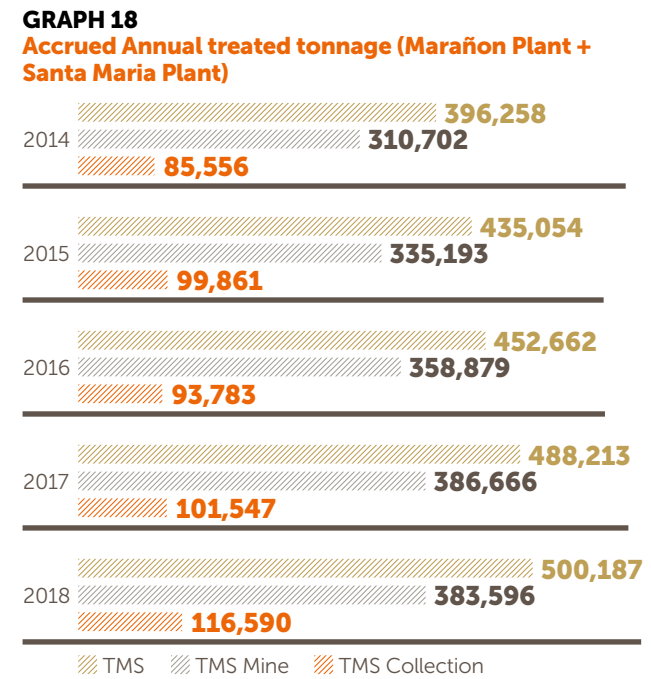
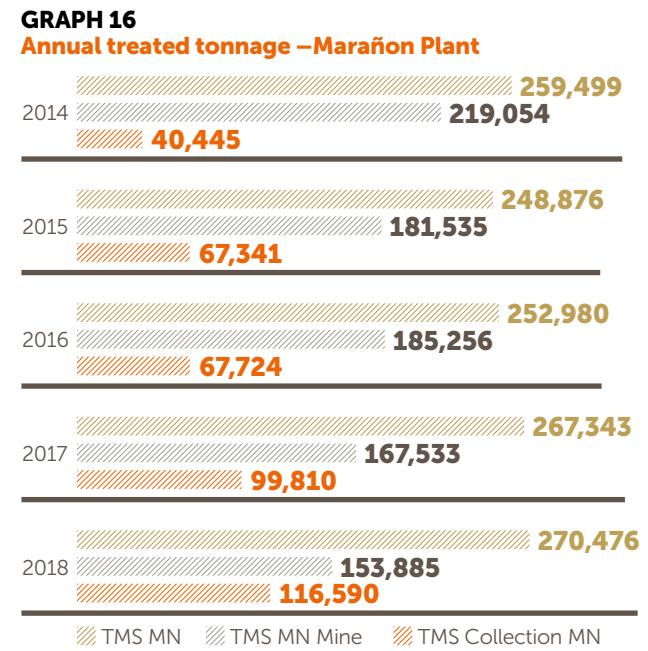
- The quality of the crushed product under 3/8" was kept above 99%.
- 1,729 ounces of gold were recovered from the tailings ponds, in the solution recirculated into the plant.
- Total plant recovery was above 92.5%.
- Total recovery in precipitation was 98.95%.
- Gold + silver grade in the precipitate was 47.8%.



500,187 t were processed in the Marañon and Santa Maria I plant, obtaining 279,537 ounces of gold.

In addition, the following investment projects were developed:

- Works were started to stabilize the field in milling and agitation.
- Lines were installed to measure cyanide in the milling line.
- Overhaul of thickener N°7 was started.
- The operation permit for pond N°2 of the tailings dam was approved.
- The works for the water treatment plant in Hualanga tailings dam were started.
- The stockpile roof was completed at the tailings filtering plant.



> EXTRACTION AND RECOVERY

Marañon Plant: In 2018 total extraction was 89.71% (0.6% more than in 2017). Collection increased from 37% to 50.4% compared to 2017. The collected ores have lower extraction levels than the ores from the northern area due to higher levels of silver and arsenic, which makes them more refractory.

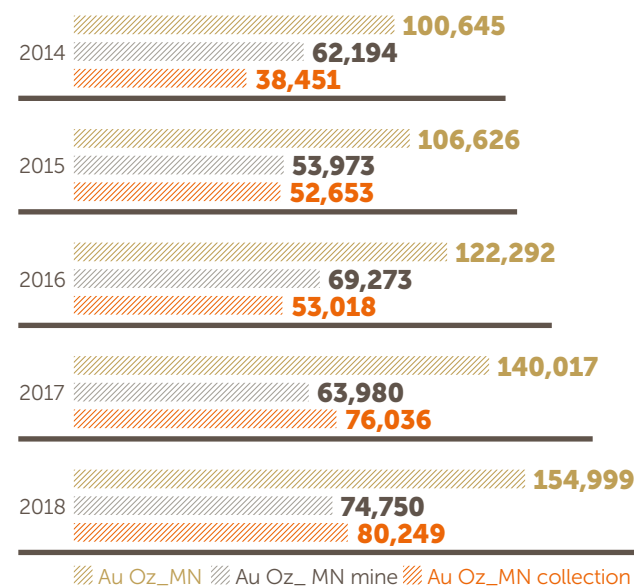
Santa Maria I Plant: Total extraction was 92.53% (0.1% lower than in 2017) due to an increase of tonnage in 3.8%. The increase of the mill head went from 17.44 to 18.24 gr/t, and the reduction of the total contribution from collected ores had a positive influence in recovery.

Consolidated: total consolidated extraction increased from 90.69% to 90.95%, compared to 2017.

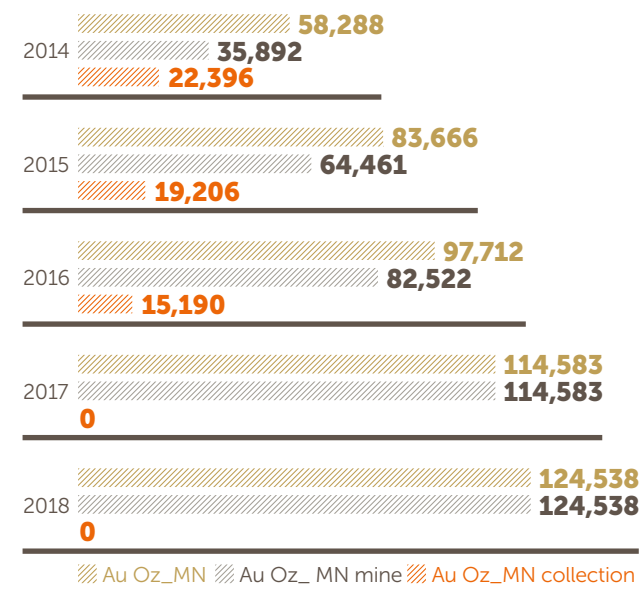
> GOLD PRODUCTION

In 2018 we processed 500,187 t, from which 279,537 ounces of gold were recovered. Consolidated gold recovery in the benefit plants was 90.95%.

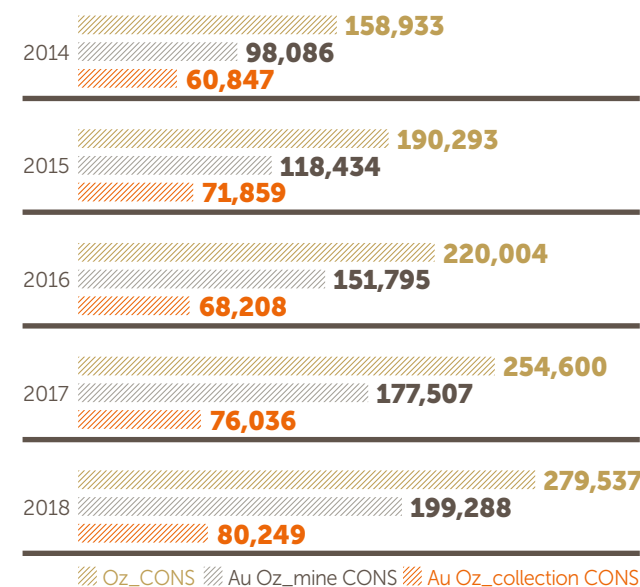
GRAPH 19
Annual production – Marañon Plant



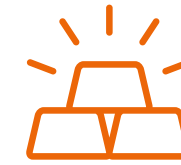
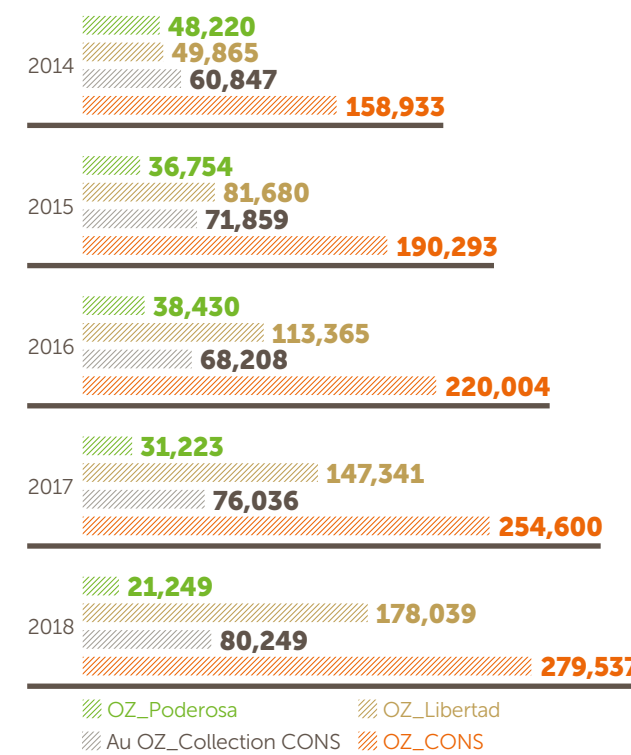
GRAPH 20
Annual production – Santa Maria Plant



GRAPH 21
Consolidated annual production (Marañon Plant + Santa Maria Plant)



GRAPH 22
Poderosa Annual production / Libertad / Collection / Consolidated



In 2018 we processed 500,187 t, from which 279,537 ounces of gold were recovered. Consolidated gold recovery in the benefit plants was 90.95%.



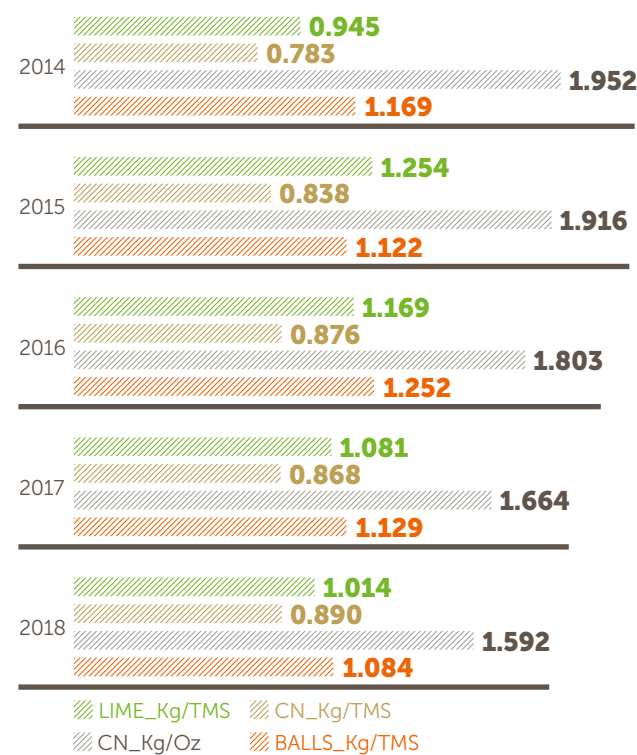
> SPECIFIC CONSUMPTION OF MAIN INPUTS

Cyanide: 0.890 kg/t (2.4% more than in 2017), however, unit consumption in kg/oz. decreased in 4.3%.

Lime: 1.014 kg/t (6.2% less than in 2017), due to a greater control of the alkaline degree in the plant circuits.

Steel balls: reduced in 3.9%, as a result of a better control in the ball reloading process, keeping an optimal ball level.

GRAPH 23
Specific consolidated input consumption (Marañon Plant + Santa Maria Plant)



> SMELTER

Pollutants in Dore Bars

The two main pollutants in the bars were lead (Pb) and arsenic (As). In average, Pb and As content in the bars from the Marañon plant was 0.83% and 0.2%, and the content in the bars from Santa Maria plant was 0.91% and 0.35%, respectively.

The contents of both metals in the dore bars from the smelter have been kept below 2%, which is the maximum trading limit.

Pollutants in the precipitate

Lead content in the Marañon plant increased from 3.17 to 3.4%; % in 2018; and in Santa Maria Plant from 1.94% to 2.61%. All the same, the arsenic grade in the precipitate increased from 0.23% to 0.27% in the Marañon plant and from 0.68% to 0.73% in the Santa Maria plant.

Pollutant treatment

Lead recovery from the smelter slag was 87% for the precipitate coming from the Marañon plant and 82% for Santa Maria. In the case of arsenic, it was 79.5% and 74.5, correspondingly.

Recovery at the Smelter

The recovery of the precipitate at the smelter from both plants increased from 99.8% to 99.87%, due to an increase of Au+Ag content in the precipitate from 40.4 % to 49.5% at the Marañon plant and from 48.4% to 47.8% at the Santa Maria I plant.

MAINTENANCE, ENERGY AND TRANSPORTATION

The Superintendence of Energy, Maintenance and Transportation focuses its efforts to meet its vision: "To meet maximum mechanic and electrical availability of the company's assets, providing quality services and meeting the production, safety, security, and environmental goals". During 2018, all the goals of the annual Policy Based Management Plan were met.

TABLE 17
Indicators

INDICATOR	PROCESS	EXECUTED	GOAL
USD/t	Maintenance	23.31	≤ 20.76
USD/kW-h	Energy	0.094	≤ 0.095
kW-h/t	Energy	147.10	≤ 142.27
USD/t	Transportation	8.16	≤ 8.00



GRAPH 24
SEM Cost in 2018 (in US Dollars)

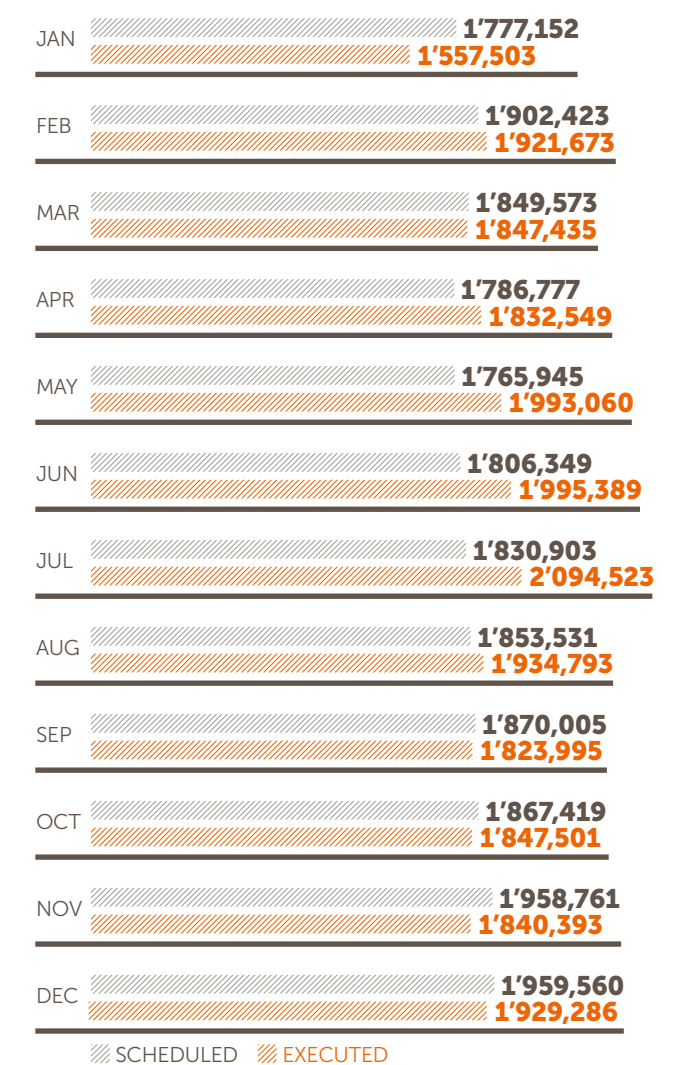


TABLE 18
Processes (USD)

PROCESS	SCHEDULED	EXECUTED
Maintenance	11'159,546	11'691,270
Energy	7'096,789	6'832,864
Transportation	3'972,063	4'093,964
Total	22'228,398	22'618,099

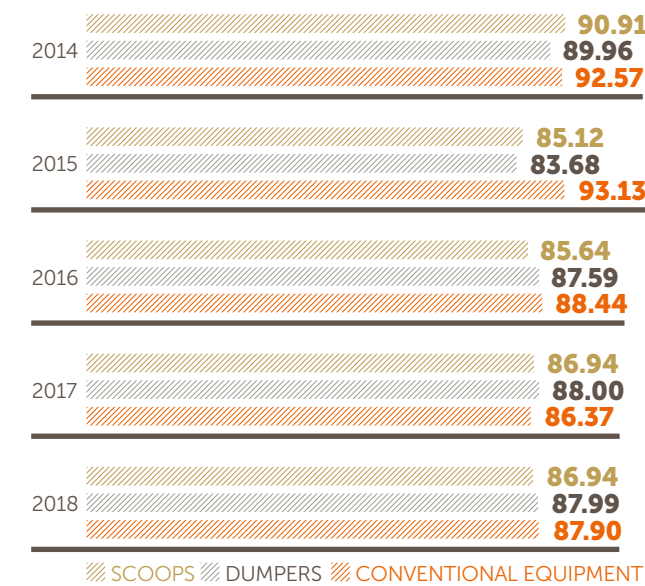
TABLE 19
Mechanic Availability (%)

INDICATORS	GOAL	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	GENE. AVERAGE
World Class Mechanic Availability Trackless	≥ 87.0	89.1	88.5	95.9	93.6	96.0	94.6	87.3	87.1	88.7	92.6	85.3	89.9	90.7
World Class Mechanic Availability Scoops and Locomotives	≥ 85.0	89.8	85.5	86.0	88.5	87.5	87.2	92.2	86.3	85.4	90.0	88.6	84.7	87.6
World Class Mechanic Availability Diamond Drillers	≥ 92.0	95.9	97.1	89.2	90.9	98.0	93.5	94.5	96.1	92.3	76.8	80.0	76.4	90.1
World Class Mechanic Availability Plant Equipment	≥ 95.0	98.1	96.4	97.8	96.7	95.8	96.6	96.7	97.2	96.8	91.3	91.0	94.0	95.7
World Class Mechanic Availability Energy Generation	≥ 95.0	97.5	99.9	98.1	96.8	90.6	93.9	95.7	97.6	94.4	89.6	94.4	93.4	95.2
World Class Mechanic Availability Heavy Equipment and Compressors	≥ 96.0	99.3	93.9	92.6	93.2	95.3	92.9	94.4	95.7	95.6	98.1	96.3	95.0	95.2
General Average	≥ 92.6	95.0	93.6	93.3	93.3	93.9	93.1	93.5	93.3	92.2	89.7	89.3	88.9	92.41

TABLE 20
Average World Class Mechanic Availability – AWCMA (%)

FLEET	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Dumper	92.74	89.02	82.90	89.12	93.91	83.97	85.71	85.36	82.40	84.49	96.41	93.29	88.28
Scoop	80.77	82.81	81.55	90.43	78.28	82.01	91.11	94.95	91.80	89.64	89.28	93.02	86.94
Front loaders	93.22	89.38	90.96	92.36	95.42	98.35	97.70	89.13	99.08	99.56	99.59	98.46	95.21
Motor graders	77.50	98.66	99.60	80.91	83.40	97.87	97.38	99.06	99.38	97.24	98.05	98.92	93.03
Tractors	73.15	98.66	98.32	99.81	99.82	99.91	53.31	68.62	67.78	92.97	100.00	100.00	87.39
Compactor	100.00	100.00	100.00	96.67	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	99.67
Compressors	94.52	90.84	90.54	84.57	94.36	95.28	94.81	94.78	94.48	94.42	95.23	94.08	93.19
Power stations	98.98	98.39	99.89	99.93	96.39	99.23	98.98	89.53	99.72	99.68	99.83	99.73	98.35
	92.00	99.55	100.00	100.00	99.46	99.86	78.56	87.57	52.92	100.00	98.75	100.00	91.36
Turbines	87.61	86.77	86.16	86.74	87.25	89.42	92.31	90.68	85.37	87.12	83.88	87.26	87.51
Locomotives	83.33	82.70	87.12	87.73	87.57	85.24	84.47	84.47	82.26	81.71	89.71	89.94	85.56
Mechanic shovels	80.24	86.84	88.99	84.84	82.35	84.15	82.87	79.93	83.45	87.60	88.34	87.51	84.74
Winches	78.71	88.22	85.59	87.90	91.22	90.87	91.68	90.67	80.22	87.47	90.01	89.34	87.67

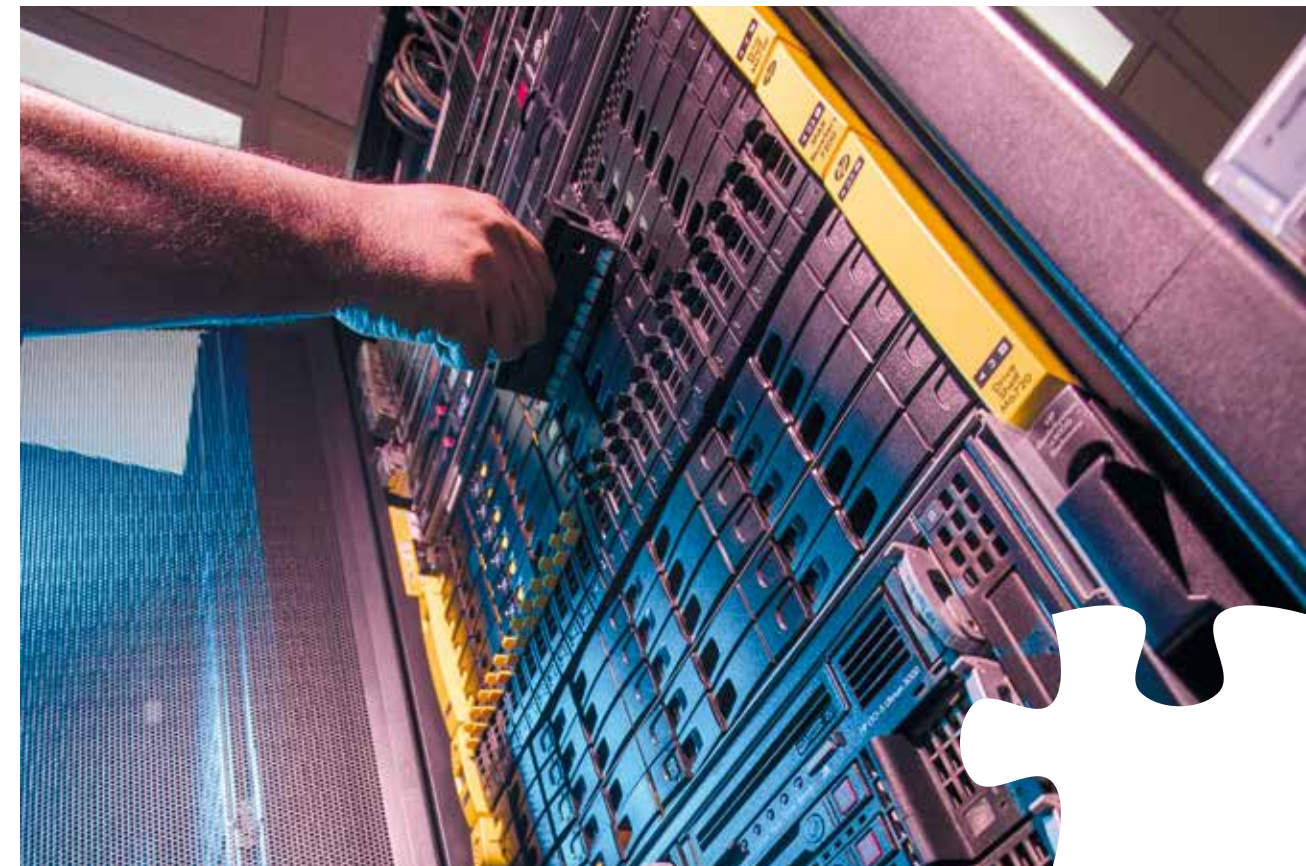
GRAPH 25
Mechanic Availability %



INFORMATION TECHNOLOGY

Major improvements during 2018:

- We have reached 98% progress in the implementation of the intangibles module that will enable keeping financial and tax controls of the monthly payment per concessions and zones, to optimize processing time and improve information quality.
- We have implemented the option for explosive voucher requests for contractors and for our company, in coordination with the Mine and Logistics areas. This will enable efficient use of explosives, according to the kind of labor and design of the drilling mesh (works size, type of rock, number of inputs per mesh, etc.). It will also contribute to the implementation of the explosive dispatch control per bar code (traceability in the event of explosives theft, as well as for legal compliance).



- We finished the migration of the Meeting Minutes Registry, enabling the areas to generate a meeting request and follow up on the agreements, whether own, or of the working team, and to make statistic consultations of the status of the agreements per team, responsible, department, process, or management area.
- We developed an application for mobile devices (cell phones, tablets) to facilitate Security Data Registry for Preventive Observation (STOP, for its acronym in Spanish). This record can be done from the shaft, surface, industrial zone, etc. The implementation of this module allows reducing paper, registry time, typing errors and to have updated information.
- We improved the Fixed Asset System (AF), in the Financial and Taxing components. With these developments, the AF system has been migrated to a new platform (.NET). All the same, in the tax component, the manual processes managed with Excel are being automated. In this way, we meet the requirements of the International Financial Reporting Standards (IFRS) and we reduce time.
- We updated the corporate Intranet to a new platform and the extranet was enabled for contractors. These enhancements will enable sharing institutional publications addressed to contractor employees (security messages, worker achievements, notices, etc.). The new extranet can also be accessed through mobile devices.
- We updated the option to Investigate Accidents and Near Misses of the Security System to a new platform (.NET) and the extranet was enabled for contractors. This enhancement removes the possibility of entering information through Excel spreadsheets, reducing typing time and errors.
- We started developing a system for CheckList physical format recognition (intelligent character recognition - ICR) that will allow scanning CheckList physical forms and to process handwriting to be automatically uploaded to a Data

Base. This enhancement will reduce typing time and errors and will allow having digital information to analyze infrastructure, equipment conditions, PPP conditions, etc. It will also allow meeting non conformity, pursuant to ISO 9001 audits and to prevent accidents.

> COMMUNICATIONS AND TECHNICAL SUPPORT

- Implementation of a micro seismic and blasting monitoring inside Santa Maria mine. This system provides information to the Geomechanics area regarding the magnitude, time and location of the seismic event, and will provide the necessary tools to measure and control blasts from seismic waves generated by each shot. 12,500 meters of uniaxial and triaxial cable, and 2,440 m of optic fiber cable have been installed.
- Installation of electronic panels in the Vijus and Santa Maria units. These visual media allow raising awareness among the workers regarding safety and security issues, 5S and good working practices.
- Implementation of a communications system inside Santa Maria mine to record the operations at the locomotive scale, this will reduce mineral transportation costs. The mineral will be weighed inside the mine and it will then be transported to the plant hopper.
- Better coverage of radio signal through repeater stations in every operation area, from Nimpana to Suyubamba. This way, the radio signal can reach every ravine where our operations take place. The radio communication system inside the mine has been integrated (leaky feeder) with the surface one. Also, vehicle monitoring with GPS via radio signal is being implemented.
- Installation of a radio communication system (leaky feeder) in Pencas and Estrella mines. This improves the efficiency of the operations in the shafts, reducing costs and in case of an emergency, it will facilitate communications. In the future, it will

allow the implementation of a SCADA monitoring and control system in fans, gas sensors, staff tracking and heavy equipment.

- Enabling of a dedicated communication systems from Vijus refining plant to Lima, to implement a video surveillance closed circuit in the refinery, that can be monitored from Lima.
- Renovation of the Vijus Data Center main server. The new server ensures availability of information services. The processing and storage capacity has been expanded to meet the expansion needs of our operations.
- Photogrammetric images of the Pataz area have been acquired by using drones. The orthophotos were analyzed by the Collection and Property areas to identify the presence of informal mining in our concessions. Two drones were purchased for the Asset Security and Civil Works area. These equipment will monitor non-authorized constructions in our concessions and will fly over our property to monitor any possible damages; they can be used in social conflict situations, they will carry out land surveys, etc.
- Preventive maintenance of the optic fiber communication infrastructure was carried out (optic fiber cable cleaning, speed measurement, review of the hardware in each one of the towers that support the optic fiber cables, etc.).
- Expansion of the band width to 10 gigabytes of the main optic fiber communication lines (data transmission capacity).
- Execution of the third stage of digitalization of historic records with legal value. 2'315,157 documents in the Accountancy and Human Resources area were digitalized.
- Enabling of a communications system in the loading chamber so that Maintenance can monitor and control the doors of the hydroelectric loading chamber.



We developed an application for mobile devices (cell phones, tablets) to facilitate Security Data Registry for Preventive Observation (STOP).



CHAPTER 3

responsible management



ECONOMIC AND FINANCIAL MANAGEMENT

ECONOMIC VALUE GENERATION FOR THE STAKEHOLDERS

The economic value generated is based on the following management approach:

Poderosa's financial management is structured according to its values, comprehensive management, occupational health, environment and quality policies, as well as by using the 5S methodology, as part of the company's business philosophy. All the same, its standing profit-sharing policy allows for a balance between growth and profitability for our shareholders.

In 2018, 500,187 tons of mineral were treated; gold production was 279,537 ounces of gold, representing an increase of 9.8% compared to 2017, owing to greater treatment capacity in tons in the plants and an increase in the grade (g/t). The number of ounces sold and dispatched added to 279,543 (including the initial stock), which meant an 11.5% increase compared to 2017.

The investment in this period was USD 96.4 million (12% more than in 2017), this amount included investment in maintenance and



growth. The total financial debt for 2018 was USD 117.9 million. There was a 13.6% increase compared to the previous year, this increase is mainly explained by short debt indebtedness with financial institutions and commercial suppliers.

TABLE 21
Main Financial Indicators

	2018	2017
EBITDA (PEN millones)	527.42	454.39
Ventas netas (PEN millones)	1,176.6	1,042.1
Margen bruto (%)	39	38
Margen operativo (%)	30	29
Utilidad antes de impuestos (PEN millones)	335.99	306.74
Utilidad neta (PEN millones)	233.91	202.48



Poderosa's financial management is structured according to its values, comprehensive management, occupational health, environment and quality policies.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

The average price for our exports was USD 1,267.68 per ounce of gold and US\$ 15.51 per ounce of silver. These prices, together with a larger production allowed for greater income than that forecasted in the annual budget. 100% of our production was exported to our customer, the Bank of Nova Scotia in the U.S.A.

Net sales in 2018 added up to PEN 1,176'586,748, which meant an increase in 12.9% compared to 2017. Sales cost was PEN 714'373,518, that is, a 9.8% increase compared to PEN 595'357,668 in 2017.

Net profits in 2018 added up to PEN 233'914,409 (15% greater than 2017). A 5% reduction in total costs favored this result.

TABLE 22
Generation of economic value for stakeholders (in PEN)

		2018	2017
Direct Economic Value Generated Income	Net sales and income from financial investments, insurance indemnification and asset sales	1,168'016,162	1,030'244,817
DISTRIBUTED ECONOMIC VALUE			
Supplier payments	Payments to suppliers, royalties and payments for facilitation or donations	575'114,378	519'528,767
Employee salaries and benefits	Total payments to employees and social contributions. Does not include future payment commitments	70'964,435	67'703,053
Government payments	Gross taxes and rates	107'014,020	90'022,115
Investment in Communities	Voluntary contribution to and investment in the communities, including donations	13'718,131	10'593,487
Withheld economic value		401'205,198	342'397,395

INDEBTEDNESS

During 2018, a US 20 million mid-term financing was requested to refinance a short-term debt for USD 10 million and to ensure funding for the energy investment projects. The cost of the financial debt was 3.49% annual (2.8% in 2017).

Hedging and leverage ratios were maintained as follows:

TABLE 23
Hedging and leverage ratios

Hedging ratio (EBITDA/ financial expenditure)	= 87.52
Leverage ratio (total debt /EBITDA)	= 0.29
Long term debt hedging ratio LP (EBITDA/ (Financial Expenditure + payments Long term debt))	= 24.12

TABLE 24
Indebtedness

BANCO	BALANCE AS OF 12.31.2018 (million USD)	TYPE OF DEBT
Scotiabank	5.00	Mid-term loan 2016
	11.50	Working capital
	0.68	Financial leasing
Santander	3.25	Financial leasing
BCP	2.42	Working capital
	2.35	Financial leasing
BBVA Continental	20.00	Mid-term loan 2018
	0.92	Financial leasing

COST EVOLUTION

In 2018, ounce production increased by 9% compared to the former year. As a result of volume, the cash cost per ounce produced was 7% lower than that of 2017 (from 603 to 563 USD/oz.), while the cash cost in US dollars was 5% more compared to 2017 (from 107 MM to 112.2 MM). This, among other factors, was the result of an increase in labor and contractor services.

All the same, the total cost per ounce was 5% lower compared to that of 2017, it went from USD 854.31.95/oz to USD 810.05/oz. in 2018. This, among other factors, was the result of greater efficiency in our operation processes. There was less input consumption (filtering mesh) in plant due to a greater precipitate quality; and lower consumption of supporting materials in mine such timber; among others. Also, there was an increase in production.

AVERAGE GOLD PRICE (LONDON FIX)

The referential gold quotation of the London Bullion Market Association showed a similar behavior than that registered in 2017. The average LBMA PM price in 2018 was USD 1,268.48, approximately 1% above the former year average. The lowest price was recorded in August, USD 1,178.40, and the highest price was recorded in January, USD 1,354.95 per ounce.

AUDIT REPORT

The Audit Report can be found in Chapter 7 of this report (page 166). The financial statement of Compañía Minera Poderosa S.A. hedging index (EBITDA/ Expenditure) does not include information on other institutions.



The average LBMA PM price, in 2018 was USD 1,268.48, approximately 1% above the former year average. The lowest price was recorded in August, USD 1,178.40, and the highest price was recorded in January, USD 1,354.95 per ounce.





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ENVIRONMENTAL MANAGEMENT

OUR COMMITMENT WITH THE ENVIRONMENT

We guarantee a healthy environment and sustainable development of our surroundings, through the application of good environmental practices throughout our processes and with efficient natural resource use through continuous improvement and the application of clean technologies and innovative solutions.

WATER MANAGEMENT

Water management is of utmost importance for our company and our stakeholders. Search for continuous improvement to optimize water use in our operation is a critical issue. Therefore, we persist on improving recirculation of the effluents produced by the filtration of the tailings and comprehensive reuse of the effluents coming from the treatment of the domestic residual plants. We also use underground water and water outcrops for the cyanidation plant and for human consumption, after treating it in ultrafiltration plants. In this regard, we have water use licenses approved by the corresponding authority.



TABLE 25
Water Intake – Marañon Producing Unit

INTAKE	VOLUME (M ³ /S)	VOLUME (M ³ /DÍA)	ANNUAL VOLUME (M ³)	COMMENTS
El Oso gorge	0.140	12,096.00	4'415,040	
Chorro Blanco gorge	0.341	29'462.40	10'753,776	
Total supply from gorges.	0.481	41'558.40	15'168,816	
Demand authorized for the Alberto Samaniego hydroelectric power station	0.462	39,916.80	14'569,632	The total water volume is discharged into the environment, except for 5.4% extracted for mining use in Vijus mining camp.
Authorization for mining use at Vijus (intake at Alberto Samaniego Hydroelectric power station discharge)	0.025	2,160.00	788,400.00	
Authorization for mining use at Cedro (mine interior Marleny-underground water)	0.0012	103.68	37,843.20	
Authorization for mining use at Paraiso (intake from Lavasen river).	0.01	864.00	315,360.00	



We persist on improving recirculation of the effluents produced by the filtration of the tailings and comprehensive reuse of the effluents coming from the treatment of the domestic residual plants

On the other hand, we continue to implement water flow gauges at the camps, canteens and production areas to optimize water use. Currently, our water consumption level is below the total volume authorized by the National Water Authority (ANA).

Table 25 shows water intake at the Marañon Producing Unit.

The average annual water supply at El Oso and Chorro Blanco is 15'168,816 m³/year. ANA granted a license to use approximately 400l/s; the excess is kept as part of the ecologic flow and it is used by the community. On the other hand, after generating energy at the Alberto Samaniego hydroelectric power station, the water is discharged to the original river course, El Tingo, except for 25 l/s, authorized by ANA, which are used in our operations at Vijus mining camp.



IMPORTANCE OF WATER SOURCES FOR THE LOCAL COMMUNITIES OR VILLAGES

Water source in the Pataz district in Poderosa's area of influence come from the river basins located in the highlands (approximately 3,500 to 4,500 m.a.s.l.), which are reloaded by the rainfall during the rainy season, and which flow downstream through rivers and gorges up to their confluence with the Marañon river.

These water sources cover the human needs to some extent, however there is an evident water deficit during the dry season, affecting the flora, fauna and biodiversity in the area. Therefore, the community is aware of the importance of maintaining their water supply systems with adequate and clean infrastructure to avoid water waste. We advise the community representatives to keep their water supply systems under good sanitary conditions. All the same, we coordinate projects with some communities to ensure continuous water supply during the rainy and the dry seasons. These projects include water harvesting and irrigation systems, among others.



TABLE 26
Species under conservation and vulnerability status in the Pataz district, La Libertad

DESCRIPTION	SPECIES	STATUS	
 Flora	<i>Jacaranda acutifolia</i>	Vulnerable	
	<i>Caesalpinia spinosa</i>		
	<i>Jatropha macrantha</i>		
	<i>Tecoma sambucifolia</i>	Almost threatened	
	<i>Salvia oppositifolia</i>		
	<i>Acacia macracantha</i>		
<i>Iresine weber</i>			
 Fauna	Mammals	<i>Tremarctos ornatus</i>	Endangered
		<i>Phyllotis andium</i>	Almost threatened
		<i>Eremoryzomys polius</i>	
		<i>Artibeus fraterculus</i>	
		<i>Artibeus planirostris</i>	
		<i>Glossophaga soricina</i>	
		<i>Micronycteris megalotis</i>	
		<i>Sturnira oporaphilum</i>	
		<i>Carollia perspicillata</i>	
		<i>Lycalopex culpaeus</i>	
		<i>Puma concolor</i>	
	Reptiles	<i>Flavipunctatus</i>	Almost threatened
		<i>Sibynomorphus sp.</i>	
		<i>Micrurus cf. mertensi</i>	
		<i>Epictia sp.</i>	
		<i>Stenocercus omari</i>	
	Amphibians	<i>Rhinella gr. spinulosa</i>	Almost threatened
	Birds	<i>Forpus xanthops</i>	Almost threatened
		<i>Columba oenops</i>	

Source:
1. Marañon EIA. Approved by R.D. N° 450-2014-MEM-DGAAM.
2. Santa Maria EIA Modification. Approved by R.D. N° 011-2017-SENACE-JEF/DEAR.

As part of Poderosa's commitment with the zone's biodiversity, and as established in the Environmental Management Plan included in the Environmental Impact Assessments (EIA), we carry out periodic flora and fauna evaluation and monitoring to have standardized and biological information that allows follow-up of the evolution and regeneration of the wildlife in the area.



For our mining operations at La Lima, El Tingo and Papagayo, as for the camps and green areas, we have a license for water use up to 315,360 m³/year. Our operations in Cedro have demanded a mining use license for water of up to 37,843 m³/year, water is extracted from inside the mine.

For 2019, we have planned to install some additional flowmeters in strategic points, such as plant, mine, camps, road sprinkling and green area watering among the most important ones to control and optimize freshwater use coming from natural sources.

Currently, the technology used at the tailings and residual water plants allow water recovery and a reduction in freshwater consumption.

TABLE 27
Water intake and volume – Santa Maria Production unit

INTAKE	VOLUME (M ³ /S)	VOLUME (M ³ /DÍA)	ANNUAL VOLUME (M ³)
Quebrada Santa María	0.00511	442.00	161,149.00
Quebrada Francés	0.03	2,592.00	946,080.00
Manantial Virginia	0.00217	187.00	68,433.00
Afloramiento Puquiopata	0.0032	276.48	100,915.00

TABLE 28
Water consumption authorized by ANA versus real consumption – 2018

	ANA AUTHORIZED CONSUMPTION (M ³ /YEAR)	REAL CONSUMPTION (M ³ / YEAR)	DIFFERENCE AUTHORIZED VS REAL CONSUMPTION (M ³)	% CONSUMED AS PER AUTHORIZED	% CONSUMED FROM THE SOURCE	WATER SOURCE
Vijus	788,400	644,652.8	-143,747.2	81.7	<5%	Quebrada Chorro Blanco y El Oso
Paraiso	315,360	182,728.3	-132,631.7	57.9	<5%	Río Lavasen
Cedro	37,843	28,918.0	-8,925.0	76.4	<5%	Marleny
Santa María	161,149	27,512.0	-133,637.0	17.1	<5%	Quebrada Santa María
	68,433	57,640.0	-10,793.0	84.2	<5%	Virginia
	100,915	87,617.0	-13,298.0	86.8	<5%	Puquiopata
	946,080	96,585.7	-945,357.00	10.2	<5%	Río Francés

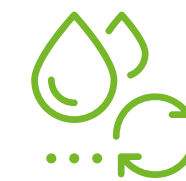
TABLE 29
Percentage and volume of recycled and reused water

	WATER INTAKE TO THE PLANT (M ³)	RECIRCULATED LEACHING SOLUTION (M ³)	NECESSARY WATER VOLUME FOR MINERAL PROCESSING (M ³)	% OF WATER REUSED
Marañón mineral processing plant (700 MTD)	64,615.6	356,054	420,669.6	84.6
Santa María mineral processing plant (600 MTD)	59,918.4	136,525	196,443.4	69.5
Household residual water plant	Intake volume (m³/year)	Treated volume	Reused volume (m³/year)	% reused
MBR-Vijus	37,843.2	37,843.2	37,843.2	100
Compact Paraiso	19,881.0	19,881.0	19,881.0	100
Conventional Paraiso	22,611.0	22,611.0	22,611.0	100
Santa María	43,800.0	42,500.0	42,500.0	100

TABLE 30
Total discharge of residual water according to its type and destination

EFFLUENT	VOLUME (M ³ / YEAR)	TREATMENT	RECEIVING BODY	RECIRCULATED INTO THE PROCESS
Processing (metallurgic use)	72,532.8	Recirculation	---	Plantas Marañón y Santa María
North mines (mine use)	3'496,710.0	Coagulation / flocculation	Río Tingo/ Francés	No
South mines (mine use)	1'427,004.0	Coagulation / flocculation	Río Francés	No
Total*	4'923,714.0			

Considers the volume at the North and South mines.



Currently, the advantages of the technology used at the tailings and residual water plants allow water recovery and a reduction in freshwater consumption.

In 2017 we started an update study and extended a hydrologic survey comprising from Lavasen gorge (north) to Carrizales gorge (south), to identify water sources for future needs of the neighboring populations and for the operations. In 2018, we completed the engineering study for the water sowing and harvesting project in Santa María production unit.

PARTICIPATORY MONITORING

In order to promote environmental quality transparency through adequate control of the environmental aspects, for several years, and together with the local authorities, we have been monitoring consumption water quality regarding



quantity and quality, on the water supply system for neighboring populations.

We also take part in participatory monitoring organized by the Huamachuco Local Water Authority (ALA), together with the local authorities which are focused on the water receiving bodies that lie within our operations.

We hold good relations with the neighboring populations through open and transparent information. In this regard, the Community Relations area has set up an office for ongoing communication, providing the community with our environmental management instruments.

This commitment was strengthened in 2018 with the implementation of the Bi annual Participatory Monitoring Program in the Santa Maria Production unit, with the participation of ten officers from five communities.

RESULTS OF THE ENVIRONMENTAL PARTICIPATORY MONITORING:

Representative Parameters:

TABLE 31
Environmental quality results – participatory monitoring. Semester I

AIR QUALITY				
Sampling date		2018-06-26	2018-06-26	ECA
Sampling station		E-1	E-2	
Parameter	Unit			
Carbon Monoxide	µg/m3	<625.0	<625.0	10000 (1)
Nitrogen Dioxide	µg/m3	<3.5	<3.5	200 (1)
Sulphur Dioxide	µg/m3	<1.0	<1.0	250 (1)
Total Oil Hydrocarbons – Expressed as Hexane	mg/m3	<0.007	<0.007	100 (3)
Particulate Material PM-2.5 LV	µg/m3	6.129	4.545	50 (1)
Arsenic	µg/m3	0.0569	0.1164	6 (2)
Lead	µg/m3	0.0324	0.0965	1.5 (1)

TABLE 32
Environmental quality results – participatory monitoring. Semester I

WATER QUALITY						
Sampling station		QHUAL-6	QHUAL-1	QFRAN-2	ECA D.S. N° 004-2017-MINAM (CATEGORY 3)	
Sampling date		06-27 2018	06-27 2018	06-27 2018	D1: Short and long stem crop irrigation	D2: Animal drinking water
Sampling time		11:15	12:00	13:20		
Test	Unit					
Oils and greases	mg/L	<0.20	<0.20	<0.20	5	10
Cyanide wad	mg/L	<0.002	<0.002	<0.002	0,1	0,1
Total suspended solids	mg/L	257.0	315.5	3 088.0	---	---
Field tests						
Volume	L/s	401.13	473.20	154.20	---	---
Specific Conductivity	uS/cm	354.0	312.0	282.0	2500	5000
Dissolved oxygen	mg/L	7.8	7.3	6.8	>=4	>=5
pH	Unidad de pH	8.51	8.51	8.50	6,5 – 8,5	6,5 – 8,4
Temperature	°C	19.9	17.8	19.5	---	---
Total metals ICP-MS						
Cu (Tot)	mg/L	0.0417	0.0303	0.1235	0,2	0,5
Zn (Tot)	mg/L	0.1100	0.1081	0.5630	2	24
As (Tot)	mg/L	0.3041	0.2823	0.3998	0,1	0,2
Cd (Tot)	mg/L	0.0008	0.0008	0.0031	0,01	0,05
Hg (Tot)	mg/L	<0.0001	<0.0001	<0.0001	0,001	0,01
Pb (Tot)	mg/L	0.1500	0.1396	0.4027	0,05	0,05



TABLE 33
Environmental quality results – participatory monitoring. Semester II

WATER QUALITY						
Sampling station		QHUAL-6	QHUAL-1	QFRAN-2	ECA D.S. N° 004-2017-MINAM (CATEGORY 3)	
Sampling date		12-13-2018	12-13-2018	12-14-2018	D1: Short and long stem crop irrigation	D2: Animal drinking water
Sampling time		11:15	12:00	13:20		
Test	Unit	Result				
Oils and greases	mg/L	<0.9	<0.9	<0.9	5	10
Cyanide wad	mg/L	<0.002	<0.002	<0.002	0,1	0,1
Total suspended solids	mg/L	66.0	1 190.0	793.3	---	---
Field tests						
Volume	L/s	691.6	697.0	602.6	---	---
Specific Conductivity	uS/cm	195.2	223.0	148.2	2500	5000
Dissolved oxygen	mg/L	7.8	8.0	7.6	>=4	>=5
pH	Unidad de pH	8.30	8.32	8.31	6,5 – 8,5	6,5 – 8,4
Temperature	°C	17.4	17.6	15.6	---	---
Total metals ICP-MS						
Cu (Tot)	mg/L	0.0854	0.0467	0.0495	0,2	0,5
Zn (Tot)	mg/L	0.2803	0.1400	0.1916	2	24
As (Tot)	mg/L	0.2692	0.3474	0.0552	0,1	0,2
Cd (Tot)	mg/L	0.0011	0.0008	0.0006	0,01	0,05
Hg (Tot)	mg/L	<0.0001	<0.0001	<0.0001	0,001	0,01
Pb (Tot)	mg/L	0.1209	0.0691	0.0463	0,05	0,05



EMISSIONS MANAGEMENT

Our emissions management plan allows monitoring, controlling and keeping emissions under the maximum allowed standards, pursuant to the legal provisions in force. Monitoring is performed by a laboratory certified by the Instituto Nacional de Calidad - Inacal.

The smelting activity is a batch process. According to our environmental commitments, a quarterly monitoring of emissions is carried out pursuant to the provisions of Ministerial Resolution N° 315-96-EM/VMM. The main greenhouse gases considered in this environmental instrument are: SO₂, CO and NO_x, of which only SO₂ has a maximum permitted level. (MPL) of 20 t/day. CO and NO_x levels are not legally enforced.

The smelting load composition and preventive maintenance of the gas treatment system are important factors to achieve good results in the emission quality.

The Table below shows that the results of the smelter and remelter chimneys in our operations are below the MPL.

TABLE 34
Smelter emissions monitoring results at Marañón production unit

QUARTER 2018	CHIMMNEY	GREENHOUSE GASES (GHG)	OTHER GASES				
		NOX (mg/m ³)	MP (mg/m ³)	Pb (mg/m ³)	As (mg/m ³)	SO ₂ (t/d)	CO (mg/m ³)
1º	Remelting	2.63	6.85	0.42	0.42	0.00	3.05
	Smelter	7.34	87.56	4.33	0.33	0.00	14.51
2º	Remelting	5.83	29.62	0.99	1.10	0.05	1.91
	Smelter	126.06	39.43	7.08	3.28	0.00	2.67
3º	Remelting	11.29	24.37	3.25	1.56	0.01	61.86
	Smelter	58.76	21.93	7.42	2.15	0.00	17.56
4º	Remelting	19.80	38.17	1.25	1.40	0.00	12.32
	Smelter	98.85	76.75	9.58	5.87	0.00	45.43
	MPL	NE	100	25	25	20	NE

(1) Maximum Permitted Levels for elements and compounds present in gas emissions from Mining and Metallurgic Units. R.M. N° 315-96-EM/VMM. NE: MPL Non established



Our emissions management plan allows monitoring, controlling and keeping emissions under the maximum allowed standards, pursuant to the legal provisions in force.



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The monitoring results of the electric power generator emissions during 2018, are below the MPL. It is also worthwhile mentioning that these generators run eventually, for example, when there are blackouts in the National Interconnected Grid (SEIN). Currently, our operation receives energy from the SEIN which is complemented with the energy generated in our Jose Alberto Samaniego hydroelectric power station. This way, we have significantly reduced the percentage of greenhouse gas emissions released by the electric power generators.

TABLE 35
Results of electric power generator emissions in the Marañon production unit

QUARTER 2017	CHIMMNEY	GREENHOUSE GASES (GHG)	OTHER GASES	
		NOX (mg/m ³)	SO2 (mg/m ³)	CO (mg/m ³)
1º	GE CAT 3516	2250.7	54.15	429.18
	GE CAT 3412 N° 2	527.31	3.49	67.97
	GE CAT 3412 N° 3	449.1	25.33	61.86
	GE EMD 1	317.4	42.79	154.64
	GE EMD 2	328.25	25.33	166.86
	GE White Superior	67.61	7.86	16.04
	GE C-27	126.62	6.11	21.38
	GE-627-02 - Santa María	1475.3	40.17	201.61
	GE-627-03 - Santa María	1616.28	43.67	179.08
2º	GE CAT 3516	213.48	9.61	49.64
	GE CAT 3412 N° 2	1.88	3.49	<1.15
	GE EMD 1	330.76	6.99	27.11
	GE EMD 2	271.62	5.24	76.75
	GE White Superior	82.28	4.37	41.24
	GE C-27	120.22	<2.62	24.06
3º	GE CAT 3412 N° 2	9.6	<2.62	1.91
	GE EMD 1	<1.88	<2.62	<1.15
	GE EMD 2	26.03	4.37	5.35
	GE White Superior	<1.88	<2.62	<1.15
	GE C-27	<1.88	<2.62	<1.15
4º	GE CAT 3516	2247.26	98.15	562.44
	GE CAT 3412 N° 2	2476.67	135.36	498.49
	GE EMD 1	2047.23	98.19	604.77
	GE EMD 2	1519.83	45.76	296.76
	GE White Superior	2542.18	201.14	734.4
	GE C-27	1662.29	138.22	272.17
	GE-627-02 - Santa María	986.97	19.33	170.33
	GE-627-03 - Santa María	1033.9	28	207.33
	LMP (1)	3000	700	4300

(1) Supreme Decree Draft. Approval of Maximum Permitted Levels for Gas Emissions and Particles for the Electricity Sub Sector. Ministry of Energy and Mines. February 13, 2004.





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MATERIALS MANAGEMENT

As to minimize the quantity of residues generated, we foster the 3R principle: Reducing, Reusing and Recycling the largest amount of inputs possible. We work on raising awareness among our workers, contractors and the population, about the importance of adequate waste handling as to reduce soil pollution and waste generation.

In 2018, in our mining operations, especially in the canteen and recreation facilities, we have banned more than 80% of single use plastics and have replaced them with paper bags and returnable materials. Also, we completed the pilot tests to produce compost with food residues. In 2019 we will start this process at an industrial level. This compost will be used to improve the quality of the surrounding soils.

We continue to work on raising awareness about the importance of adequate hazardous materials

handling (fuel, hydrocarbons, chemical reagents, etc.) to prevent pollution. All the same, we have two vehicles that collect the residues and take them to the land fill, industrial fill, hazardous solid residues warehouse or hazardous waste materials, according to their classification.

Regarding the use of materials, as the production increases, so does their demand. Water, energy, chemical inputs, minerals and timber are the most broadly used resources used in our operation processes. In order to control and reduce the use of timber for mine support purposes, we are using helical bolts and other accessories. All the same, the newly exploited pits are filled with hydraulic filling.

WASTE MANAGEMENT

Cyanide, lime, zinc, sodium carbonate and borax are used in mineral processing and in end product production. The following Table presents a summary of the main materials used in the operations.

TABLE 36
Materials used per type and volume

CLASSIFICATION	MATERIAL	UNIT	2016	2017	2018	SUB TOTAL (T) -2018
Renewable	Timber*	Ton	9,794	8,366	6,872	18,009
	Timber (sq. ft)**	Sq. ft.	577,491	1,801,906	1,800,895	
Non-renewable	Fuels	Gallons	1,510	1,628,353	2,037,822	8,045
	Lubricants	Gallons	40,296	45,563	48,438	
	Greases	kg	10,600	13,621	12,722	
	Borax	kg	9,600	9	9,025	
	Sodium Carbonate	kg	500	400	550	
	Cyanide	kg	401,000	427,000	448,000	
	Zinc powder	kg	26,500	23,950	24,650	
	Lime	kg	534,090	535,200	507,680	
	Screws	kg		107,298	180,385	
Meshes	rolls		4,931	6,875		

*Timber: Considers round logs.

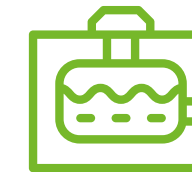
**Timber (sq. ft.): Considers planks, scantlings, tines

TABLE 37
Total weight of waste generated, per type and treatment method

	NON-HAZARDOUS			HAZARDOUS	
	GENERAL/ DOMESTIC (T/ YEAR)	NON-HAZARDOUS INDUSTRIAL WASTE (T/YEAR)	METALLIC RESIDUES	HOSPITAL WASTE (T/YEAR)	RESIDUAL OIL (GL/YEAR)
Responsible for final disposal	Poderosa	Poderosa, SNEIJDER and Gestion de Servicios Ambientales SAC	Poderosa and SNEIJDER	Gestion de Servicios Ambientales SAC-Befesa Perú SAC	Gestion de Servicios Ambientales SACCorporacion Medioambiental AMPCO Perú SAC
Treatment and/or disposal method	<ul style="list-style-type: none"> Compost Recycling The rest is deposited in a sanitary landfill 	<ul style="list-style-type: none"> Deposited in Poderosa's industrial landfill Gestion de Servicios Ambientales SAC dispuesto- RAEE 	<ul style="list-style-type: none"> Recycling Compacting Reuse Sale 	Gestión de Servicios Ambientales SAC-Safety Sanitary Landfill	Recovered and sold
Total 2015	882.31	102.09	152.02	1.26	19,608
Total 2016	965.25	90.6	228.6	1.4	15,200
Total 2017	825.23	55.08	358.68	1.03	25,320
Total 2018	1,185.24	74.49	422.03	0.59	21,282
Total 2018	1,681.768 T/AÑO			2,1282.59 T/AÑO	

TABLE 38
Total amount of over burden, rock, tailings, and sludges that represent potential hazards

SEMESTER	ACTIVITY	DETAIL
1º	Papagayo Shaft closure Level 1757	Construction of a concrete plug F'c=210Kg/cm2, loading and transportation of 120.00 m3 topsoil material for coverage and slope conformation.
2º	Closure of the La Brava dumpster Right margin	Demolition and destruction of crowning channels in the right margin of La Brava dumpster. Loading and transportation of waster rock from La Brava dumpster -2080 to Estrella II deposit. Vegetation Covering by Poderosa



We work on raising awareness among our workers, contractors and the population, about the importance of adequate waste handling as to reduce soil pollution and waste generation.



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MM3

TABLE 39
Tailings lifetime

TAILINGS POND	ZONE	STATUS	LIFETIME (YEARS)
Asnapampa	Marañon	Operational*	For contingencies (1 month)
Livias	Marañon	Operational	20 years (800 t/d)
Santa Maria II	Santa Maria	Operational	For contingencies (3 drying ponds)
Hualanga	Hualanga	Operational	28 years (600 t/d)

*It is operational but there are no tailings currently. It is ready to be used as contingency, if necessary

TABLE 40
Tailings generation (t/year)

TAILINGS POND	TOTAL 2018
Marañon tailings	270,743
Santa Maria tailings	229,711
Total	500,184

TABLE 41
Waste rock generation 2018 (t/year)

DUMPSTER	TOTAL 2018
UP Marañon	374,718
UP Santa Maria	460,724
Total	835,443



RESPECT FOR BIODIVERSITY AND CULTURE

Environmental protection is a priority to us; therefore, it is instrumental that we perform our activities with respect and minimizing risks, establishing control mechanisms to preserve our surroundings. Every human activity has an impact on the environment, from this perspective, we perform environmental assessments prior to the execution of our operations, as established in the legal provisions in force; also, we have implemented the Environmental Management Plan, which is mandatory as well as Environmental Compensation Plans to reduce environmental impact.

We continue optimizing our Environmental Management System based on ISO 14001:2015. The measures adopted, according to the Abiseo River National Park Master Plan, located in the Mariscal Caceres province, San Martin Region, include protecting endangered endemic birds, forests and native plant species protected by national laws. Marañon and Santa Maria production units are located within the Abiseo River National Park buffer zone, between 1,200 and 2,900 m.a.s.l. They cover an approximate area of 4,746 ha; however, direct operations are carried out in 2,500 ha. Due to the location of our mining operations, there are no possible environmental, cultural or social impacts on the natural protected area of the National Park.



It is instrumental that we perform our activities with respect and minimizing risks, establishing control mechanisms to preserve our surroundings.





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MM10

MINE CLOSURE PLAN

The mine closure plan is an environmental management instrument for rehabilitation, which includes technical and legal actions that must be executed by the titleholder of the mining activity to restore the areas used or disrupted by its activities so that they meet ecosystem characteristics that are compatible with a healthy and suitable environment for the development of life and for landscape preservation.

In 20187, the Fourth Modification to Unidad Minera Poderosa Closure Plan was approved by RD N° 102-2018-MEM-DGAAM, to modify the life span of the mine and to modify and update the mining component's progressive and final closure. The aim is to guarantee physical, chemical and hydrologic stability of the components and to restore the disrupted area through revegetation. In 2018 progressive closure measures were undertaken for a total of USD 490,455, including mine closure activities and social and environmental commitment compliance.

TABLE 42
Executed costs for 2007-20187 progressive closure measures (USD)

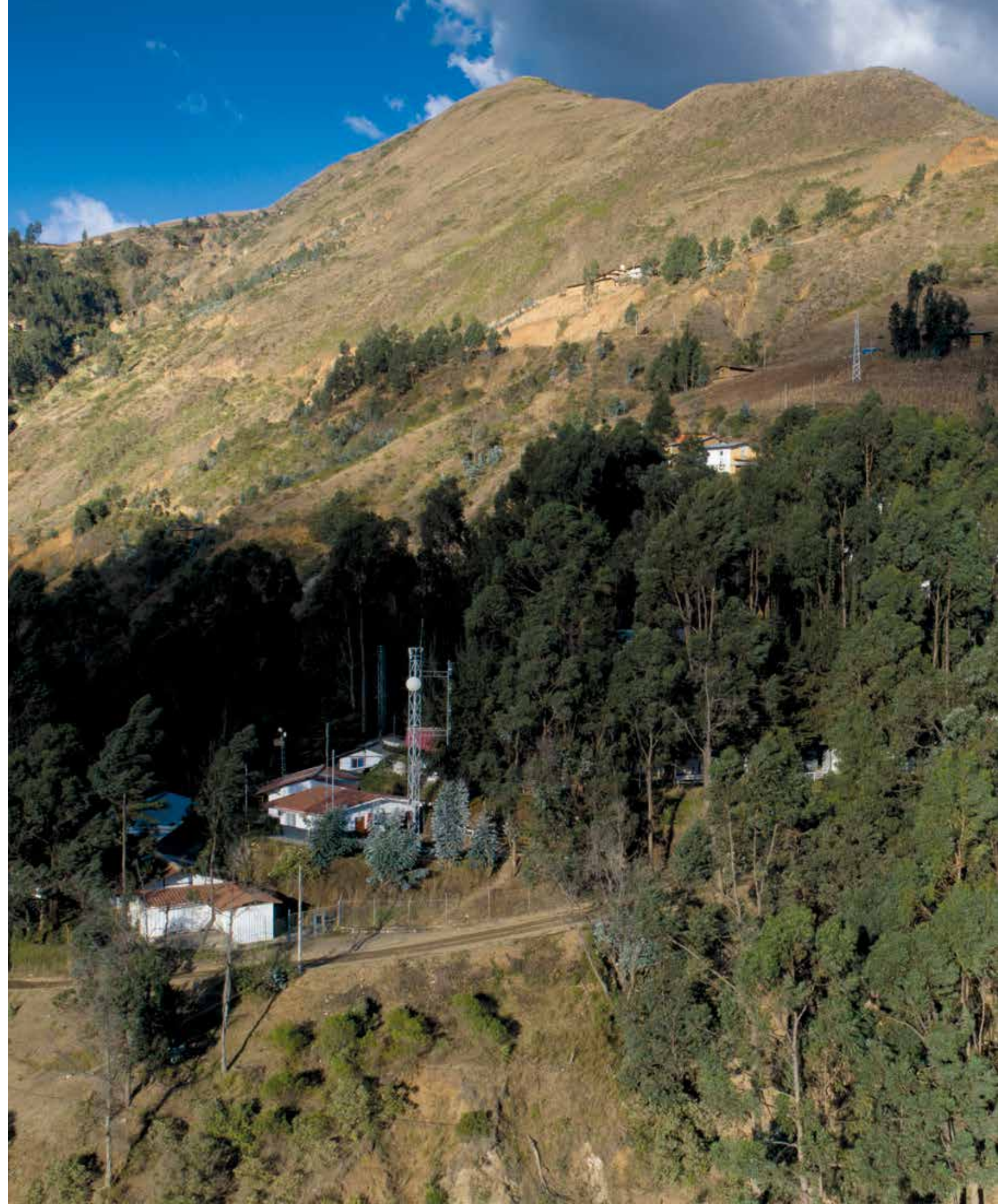
EXECUTED BUDGET		
	TOTAL INVESTMENT	TOTAL ACCRUED INVESTMENT
2007	325,224.14	325,224.14
2008	416,626.72	741,850.86
2009	180,221.91	922,072.77
2010	404,287.14	1'326,359.91
2011	110,340.54	1'436,700.45
2012	408,414.07	1'845,114.52
2013	628,425.66	2'473,540.18
2014	1'099,312.13	3'572,852.31
2015	831,878.02	4'404,730.33
2016	1'155,132.02	5'559,862.35
2017	1'147,679.25	6'707,541.60
2018 (NOV)	490,455.00	7'197,996.60
Total	7'197,996.60	14'395,993.20

FINES AND NON-MONETARY SANCTIONS FOR VIOLATION OF ENVIRONMENTAL REGULATIONS

In 2018 administrative sanctions were imposed by the Organismo de Evaluacion y Fiscalizacion Ambiental (Agency for Environmental Assessment and Enforcement - OEFA), for supervisions carried out in 2015 and 2016. After voluntarily executing the corrective measures, OEFA ended these procedures. All the same, during the last environmental supervision (August 2017) OEFA verified the compliance with the environmental commitments and obligations in force under the environmental regulations, D.S. N°040-2014-EM, and in our environmental instruments approved by

orders R.D. N°450-2014-MEM/DGAAM (Marañon) and R.D. N°011-2017-SENACE-JEF/ DEAR (Santa Maria). In this supervision, no deviations were found regarding the environmental management plan or the environmental quality standards and regulations. These results confirm our environmental performance and social responsibility, meeting the maximum permissible levels of water quality in the mining-metallurgy and energy effluents, pursuant to D.S. N°010-2010-MINAM and to the environmental quality standards for water, as per D.S. 015-2015-MINAM. It must be mentioned that during 2018 OEFA did not supervise our operations.

We have not received any sanctions or monetary fines.



FORESTATION

The benefits of the different forestation and reforestation activities carried out are many: they help to create jobs in the communities within our area of influence and they ensure our supply of timber while mitigating our carbon footprint.

TABLE 43
Forestation activities in 2018

COMMUNITY	TREES PLANTED	REFORESTED OR FORESTED HECTARES	FINANCING	BENEFICIARY	TYPE OF TREES SOWN
Paraíso	400	0.67	Poderosa	Plantation in Poderosa premises, in the Residual Water Treatment plant area	Highland Cedar
Vijus	250	0.30	Poderosa	Plantation in Poderosa premises, in the slope of the Human Consumption Water Treatment Plant	Highland Cedar
Vijus	3,719	3.30	Poderosa	Plantation in Poderosa premises, in the slope of barren soil	Highland Cedar
Paraíso	156	0.02	Poderosa	Plantation in Poderosa premises in the Domestic Sanitary Landfill	Eucalyptus
Hualanga	3,200	2.01	Poderosa	Plantation in Poderosa premises in the Fundo Hualanga tailings pond	Fruit trees
Quishuar	36,900	33.21	Poderosa	Condormarca	Pine and Eucalyptus
Total	44,625	39.51			



4'359,560

trees planted between 1986 and 2018 (including fruit trees and forest trees, mainly)

3,281

hectares reforested or forested between 1986 and 2018

ENERGY MANAGEMENT AND PROJECTS

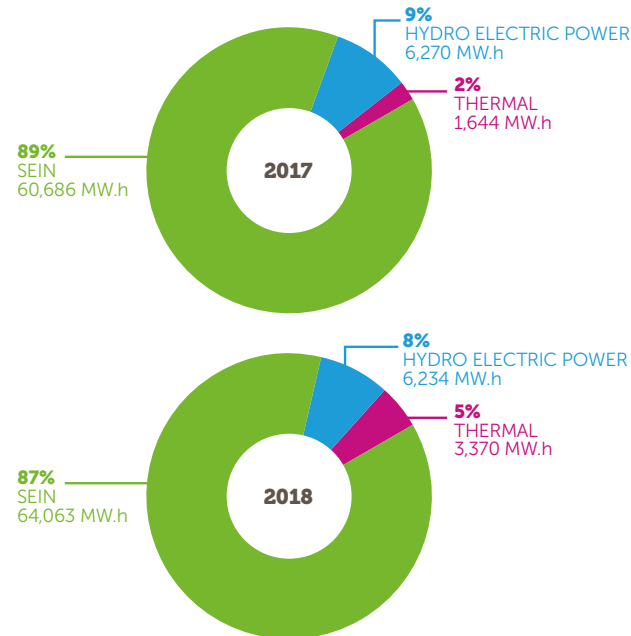
During 2018 our energy consumption increased by 7.39% compared to 2017 as a result of production growth. SEIN (National energy grid) increased its contribution by 5.567%, hydroelectric power generation fell in 0.57% while thermal electric energy production increased in 104.93%, therefore, oil consumption increased by 104.21%.

The accrued cost of energy was 0.094 USD/kW-h, 1.67% less than in 2017 (0.096 USD/kW-h), representing savings for USD 147,333. This is due to lower costs and greater contribution from SEIN.

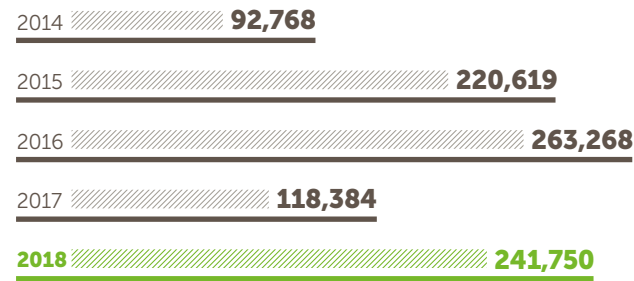
TABLE 44
Total energy consumption 2017 vs. 2018

	2017	2018
kW h	68,599,955	73,666,411
Gjl	246,960	265,199
%	107.01%	107.39%

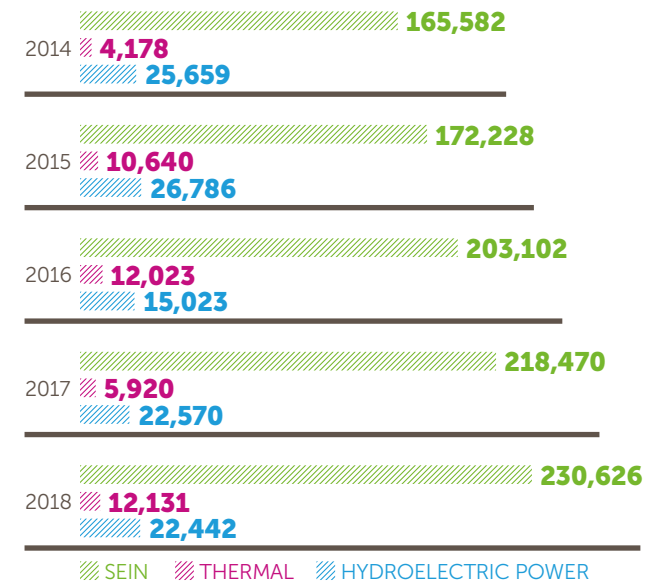
GRAPH 26
Total energy consumption 2017 vs. 2018



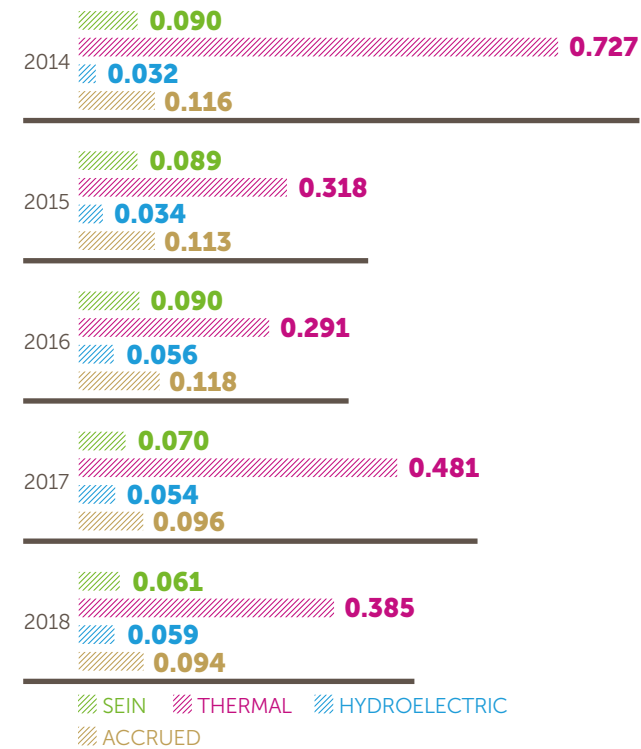
GRAPH 27
Oil consumption in thermal power generation (gallons)



GRAPH 28
Annual Energy Gjl 2014 – 2018



GRAPH 29
Evolution in energy costs USD /kW-h 2014-2018



During 2018 our energy consumption increased by 7.39% compared to 2017 as a result of production growth.

HYDROELECTRIC POWER AND TRANSMISSION LINE PROJECTS

1. Hydroelectric power use project at Lavasen and Quishuar river basins. (Lavasen-Quishuar Hydro Electric Power Project).

This project is in the Bolivar and Pataz provinces, Condormarca and Pataz districts, correspondingly, in La Libertad department. This project will meet our energy demand, according to the scheduled growth, in a timely, clean, reliable and economical way. Water, resources, which are a renewable, sustainable and efficient energy source, will replace thermal energy generation which runs on diesel oil, and that purchased from SEIN (National energy grid).

Water is collected from the Lavasen and Quishuar basins. This water is channeled to three water jumps located between Quishuar lake and Nimpana. The installed capacity of the three hydroelectric power stations will be 43.11 MW, and will generate 283.36 GWh annually. This project will be implemented in two stages: Cativen I and Cativen II hydroelectric power stations (29.03 MW) and Nimpana hydroelectric power station (14.08 MW).

During 2018 we continue to implement the access to the intake and sand remover, which progress is already 52.87%, as well as the loading chamber, which progress is 70%.

2. 138 kV Transmission Line from LPC II substation to Lagunas Norte sub station

The existence of the Escalerillas archaeological site forced us to modify the project. Given this situation, a double circuit transmission system was proposed, which would go from Cruz Colorada sub station (formerly, Nueva Ramada) and one circuit would divert at vertex V6FR to La Flor de IBT Hydrika substation, energy delivery point coming from the Lavasen Hydroelectric project.

3. 138 kV Transmission Line from LPC II substation to Nueva Ramada substation.

In May 2018, the final concession was requested for transmission from 138 kV Vertex V8D SE Nueva Ramada Transmission Line, under file MINEM N° 2810082.

4. Reactive Power Compensation Project in 25 Kv

The power level at LPC I substation is low. This power fall becomes very critical (power below 0.95 p.u. at the 60 kV site) during peak hours. This is because substation LPC I is located in the tail of an Hidrandina radial system, where there are several considerable loads, such as San Marcos and Cajabamba.

Therefore in 2017, a study was started to implement a capacitor bank in LPC I substation to reach the maximum power level established in the contract signed with Hidrandina (10 MW). During 2018, this project was partially approved, and should be implemented in 2019.

5. 60 kV Transmission Line from LPC I substation to Chacparrosas substation

In 2017 the 25kV interconnection project was implemented from Atahualpa substation to Santa Maria substation, improving the voltage level and reliability of this line. Also, a study was proposed to implement the transmission line at 60 kV level, from LPC I substation to Chacparrosas substation. During 2018, this project was partially approved, and should be implemented in 2019.

6. Repowering of El Tingo Hydroelectric power station project.

Our hydroelectric power station runs according to water availability, directly collected from the existing water courses: Chorro Blanco and El Oso. During 2018 we visited stations abroad to analyze the best way to increase this system's efficiency.



SOCIAL MANAGEMENT

Our vision defines our essence. Being a company whose workers feel proud of working with, is a challenge that drives the decisions we make every day. We believe in equal opportunities, we do not discriminate due to religion, race, gender, sexual orientation or HIV condition. In that sense, we seek to provide professional and personal development opportunities to our employees, and we constantly provide training, so they can improve their performance in both aspects. Likewise, we fulfill all our legal responsibilities in labor aspects and undergo audits carried out by the corresponding entities.

OUR PEOPLE

TABLE 45
Our employees by type of contract and gender

TYPE OF CONTRACT	WOMEN	MEN
Fixed Term		
Full time	24	85
Part time	0	0
Indefinite term		
Full time	51	548
Part time	1	0
Total	76	633
General total		709



TABLE 46
Workers per job category, geographic location and gender

OCCUPATION	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Workers	304	48%	5	7%	237	60%	16	9%	56	42%
Employees	318	50%	68	89%	159	40%	151	84%	76	58%
Officers	11	2%	3	4%	2	1%	12	7%	0	0%
Total	633	100%	76	100%	398	100%	179	100%	132	100%
%	89%		11%		56%		25%		19%	

TABLE 47
Workers per age, gender and geographic location

OCCUPATION	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Under 30 years	63	10%	16	21%	35	9%	26	15%	18	14%
Between 31 and 40 years	174	27%	37	49%	103	26%	62	35%	46	35%
Between 41 and 50 years	211	33%	17	22%	136	34%	48	27%	44	33%
Between 51 and 60 years	140	22%	2	3%	97	24%	24	13%	21	16%
Between 61 and 70 years	45	7%	4	5%	27	7%	19	11%	3	2%
Total	633	100%	76	100%	398	100%	179	100%	132	100%

TABLE 48
Workers that joined us in 2018 by age, gender or geographic location

OCCUPATION	GENDER				LOCATION					
	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER	%
Under 30 years	23	46%	10	59%	12	67%	11	34%	10	59%
Between 31 and 40 years	18	36%	4	24%	6	33%	10	31%	6	35%
Between 41 and 50 years	7	14%	2	12%		0%	8	25%	1	6%
Between 51 and 60 years	1	2%		0%		0%	1	3%		0%
Between 61 and 70 years	1	2%	1	6%		0%	2	6%		0%
Total	50	100%	17	100%	18	100%	32	100%	17	100%

Total number of workers: 67

TABLE 49
Workers terminated in 2018 by age, gender and geographic location

CATEGORY	GENDER				LOCATION					
	OCCUPATION	MALE	%	FEMALE	%	LA LIBERTAD	%	LIMA	%	OTHER
Under 30 years	22	27%	5	38%	14	37%	2	7%	11	38%
Between 31 and 40 years	26	32%	6	46%	9	24%	12	43%	11	38%
Between 41 and 50 years	20	24%	1	8%	9	24%	5	18%	7	24%
Between 51 and 60 years	5	6%	1	8%	2	5%	4	14%		0%
Between 61 and 70 years	9	11%		0%	4	11%	5	18%		0%
Total	82	100%	13	100%	38	100%	28	100%	29	100%

Total workers terminated: 95

TABLE 50
Poderosa annual staff turnover

PAYROLL	WORKERS	EMPLOYEES	OFFICERS	TOTAL 2018	TOTAL 2017	TOTAL 2016
Active	309	386	14	709	718	724
Terminated	25	68	2	95	74	76
Turnover	8%	18%	14%	13%	10%	10%

TABLE 51
Contractors' workers annual turnover

PAYROLL	WORKERS	EMPLOYEES	OFFICERS	TOTAL 2018
Active	2,532	432	0	2,964
Terminated	926	152	0	1,078
Turnover	37%	35%	0%	36%

TABLE 52
Contractors' workers per gender

PAYROLL	GENDER	WORKERS		EMPLOYEES		TOTAL	
		Nº of people	%	Nº of people	%	Nº of people	%
Specialized mining companies	Female	3	0.12%	29	7.07%	32	1.08%
	Male	1,641	64.25%	160	39.02%	1,801	60.76%
Specialized related companies	Female	27	1.06%	31	7.56%	58	1.96%
	Male	883	34.57%	190	46.34%	1,073	36.20%
Total		2,554	100.00%	410	100.00%	2,964	100.00%

LIFE QUALITY

Life quality means living better, not longer. In this sense, we have focused our efforts to enhance the life quality of our employees. For example, our Continuous Improvement policies include the optimization of our workers' resting period during their stay in the camps.

> INFRASTRUCTURE IMPROVEMENTS

In 2018 we have improved the lodging facilities both for the contracting companies and for our staff.

Marañon-Paraiso

We repaired camp K (capacity for 50 workers); and camps E1 and E2 (capacity for 16 workers each). Works in camps Ñ and O progressed in 40%. At Cedro, the Employee Hotel began operating with capacity for 24 workers and the prefabricated units A, B, C and D were repaired.

Santa Maria

We built the General Management House, and we repaired the General Operations House

TABLE 53
Lodging facilities at the camps

LOCATION	STAFF	CAMP		COMPANY		CONTRACTORS	
		M² PER ROOM	BEDS PER WORKER	M² PER ROOM	BEDS PER WORKER	M² PER ROOM	BEDS PER WORKER
Paraiso	Officers	35	3	0	0		
	Employees	529	98	600	96		
	Workers	469	134	2013	578		
Vijus	Officers	70	5	0	0		
	Employees	657	101	462	71		
Santa Maria	Workers	207	69	843	281		
	Officers	35	3	0	0		
	Employees	750	120	856	137		
Cedro	Workers	266	74	2661	1109		
	Employees	78	13	222	37		
Total	Workers	93	31	759	253		
		3,188	651	8,416	2,562		



We orient our action to increase the livelihoods of our workers.



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and the progress in the Officers' Houses was 90%. By 2019, we expect to complete a new hotel with capacity for 216 workers (108 bunkers assigned to our new contractors) to improve lodging conditions.

On the other hand, we changed bedding (blankets, sheets and pillows) destined to all our workmen. Likewise, all the camps and hotels received maintenance to improve comfort for our workers.

SOCIAL WELFARE

The purpose is to enhance our employees' life quality through the link worker – family-company. To achieve this, we carried out activities that involve their participation and commitment.

> MANAGEMENT OF ADMINISTRATIVE PROCEDUCERS (HEALTH AND WELLNESS)

We provided advice and support to employees in the following areas:

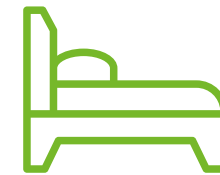
- 39 registrations for rightful beneficiaries, among wives and children; and 24 nursing permits.
- 14 registrations to Healthcare Providers.
- 459 medical leaves were processed (corresponding to daily leaves) for the closure of payrolls corresponding to 20 first days and subsidies.



- PEN 452,578 were recovered for sickness allowances, labor accidents, sequels to labor accidents and maternity leaves (the majority of the subsidies was due to common sicknesses, 32 workers received medical care in EsSalud and clinics).
- 15 workers received medical attention due to labor accidents and sequels to labor accidents in Clinica Peruano Americana, SANA. All the same, six workers received attention at EsSalud and private clinics as a result of ordinary accidents.
- Four maternity leaves.

> SOCIAL MANAGEMENT

- Prevention / Information workshops on HIV/AIDS were carried out.
- Workshops on Violence against women, addressed to social workers, were carried out.
- Twelve workers received home visits due to family and /or health problems.
- Visits to workers who were derived to hospitals and who required attention and family counselling.



By 2019, we expect to complete a new hotel with capacity for 216 workers (108 bunkers assigned to our new contractors) to improve lodging conditions.

- Active pauses were developed to improve labor performance.

On the other hand, celebrations were also held on key dates, such as Friendship Day, carnivals (*Yunzas*), sports championships, aerobics, zumba, birthday celebrations, among others.

Social and cultural activities were carried out to celebrate important dates such Mining Engineer's Day, Women's Day, Labor Day, Poderosa's Anniversary, Mother's Day, Father's Day, Independence Day, among others.

> CANTEEN SERVICE MANAGEMENT

- A survey was carried out to help assess canteen service satisfaction. An action plan was designed.
- An inspection program was successfully introduced in each unit.
- Control of Significant Environmental Aspects.
- Regular meetings were organized with the managers of canteen franchises to establish commitments for continuous improvements at each canteen.
- The fumigation program was carried out.
- Inspections and audits were performed.

This program has enabled to build and/or develop the skills of employees, enhance employment opportunities and help with risk prevention at work. Altogether USD 1'323,565.71 were invested in training programs.



BUILDING TALENT: VOCATIONAL TRAINING

Special attention was given to developing the full potential of workers. In 2018, a comprehensive training program was held in line with the company's strategic objectives.

GRAPH 30
Comprehensive Training Program (CTP)



GENERAL INDUCTION PROGRAM	STANDARD TRAINING PROGRAM	IN-HOUSE TRAINING PROGRAM PCI	FUNCTIONAL TRAINING PROGRAM	ONGOING EDUCATION PROGRAM
Aimed at providing information or general guidance regarding the company and in the work area; for all incoming personnel, primarily focused on safety and occupational health issues (Supreme Decree 024-2016-EM and amendments, Supreme Decree 023-2017-EM).	Aimed at reinforcing knowledge and raising awareness on issues related to IMS (Integrated Management System) (Supreme Decree 024-2016-EM and amendments, Supreme Decree 023-2017-EM).	Aimed at strengthening and/or developing employee's technical skills at his/her workstation, embodied in the PETS*, MSDS** and the area's goals.	Aimed at strengthening and updating technical and managerial skills, based on specific position and strategic goal requirements.	Aimed at strengthening and updating technical and managerial skills, based on specific position and strategic goal requirements.

FOR PODEROSA'S EMPLOYEES, AND PERSONNEL FROM ASSOCIATED COMPANIES, CONTRACTORS AND SMALL-SCALE BUSINESSES | FOR PODEROSA EMPLOYEES

*PETS: Written Safe Work Procedures ** MSDS: Material Safety Data Sheet

TABLE 54
Hours of training per job position, gender and type of training

PROGRAMS	GENDER	TOTAL TRAINING HOURS	N° OF PEOPLE	TRAINING HOURS/ PERSONS
Functional Training Program	F	1,267	105	12
	M	8,106	330	25
Continuing Education Program	F	403	9	67
	M	1,768	35	50
Standard Training Program	F	88	42	2.1
	M	38,355	2,577	15
General Induction Program	F	5,736	151	38
	M	112,671	2,973	38
In-house Training Program	F	2,773	244	11.3
	M	69,781	4,999	14
Seminars and Meetings Program	F	82	34	2
	M	7,246	1,823	4
Total	F	10,349	2,197	42
	M	237,914	96,903	40

GRAPH 31
Hours of Training on Occupational Risk and Health



TABLE 55
Continuing and Functional Training Program

	QUANTITY	CLASSROOM BASED FORMAT	ONLINE FORMAT
University degree	4	4	-
Diploma	2	-	-
Specialization	3	-	10
Masters	4	-	-
Refresher courses	323	323	-

GRAPH 32
Number of man-hours training per work post type



TABLE 56
Total annual training hours

STAFF	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DIC
Mine Contractors	1,574	1,575	1,501	1,595	1,594	1,603	1,641	1,672	1,702	1,644
Poderosa	132	130	130	130	130	129	129	129	129	128
Total	1,706	1,705	1,631	1,725	1,724	1,732	1,770	1,801	1,831	1,772
Objective Month	1,137	1,137	1,087	1,150	1,149	1,155	1,180	1,201	1,221	1,181
N° Scheduled	3,412	3,410	3,262	3,450	3,448	3,464	3,540	3,602	3,662	3,544
N° Trained	1,987	2,156	2,840	3,908	3,458	3,590	3,885	3,984	3,504	1,893
Training Hours	3,007	2,009	2,542	2,589	2,268	2,304	2,280	2,402	2,372	2,094
H / H Capac.	3	2	2	2	2	2	2	2	2	2
% Cump.	58.24%	63.23%	87.06%	113.28%	100.29%	103.64%	109.75%	110.61%	95.69%	53.41%

TABLE 57
Mentor Program

N°	PARTICIPANTS	POSITION	SCHEDULE
1	Torres Espinoza Daniel Ricardo	Operations Manager	September
2	Mauricio Malpartida Agustín Pedro	Occupational Health and Security Superintendent	
3	Calcine Corrido Miguel Ángel	Production Unit Superintendent	
4	Ortega Tapia Anthony Omar	Project Planning and Engineering Superintendent	
5	Barrientos Muchari Gaspar Eudecineo	Mine Assistant Superintendent	
6	Ore Sánchez Carlos	Geology Assistant	
7	Trujillo Sánchez Edher Fausto	Geomechanics Engineer	
8	Díaz Meyzan Walter Teodoro Martín	SIG and Social Responsibility Manager	
9	Echeverría Carrillo Mario Martín	Energy and Maintenance Superintendent	
10	Silva Jugo Percy Eduardo	Head of Human Resources	
11	Paredes Mariños Antonio Jesús	Assistant Quality Manager	
12	Marreros Paredes Víctor Hugo	Senior Shift Manager Plant	
13	Medrano Raymundo Carlos Alberto	Exploration Assistant	
14	Chávez Apaestegui Óscar Alejandro	Project Engineer	
15	Tarazona Jimenez Alejandro	SIG and Social Responsibility Manager	

TABLE 58
Trainer Program

AREAS	N° AT PEOPLE TRAINED (OCTOBER)	N° AT PEOPLE TRAINED (SEPTEMBER)	TOTAL PEOPLE TRAINED (2018)
Geology	2	2	4
Operation management & others	1		1
Environmental Management	1		1
Maintenance and Energy	5	3	8
Mine	8	4	12
Planning and Engineering	4	3	7
Plant	11	3	14
Human Resources	1		1
Security Asset	6		6
Total general	39	15	54

> KNOWLEDGE TRANSFER TO CONTRACTORS

Several training courses were held to help staff employed by our contractors, as well as associated and small-scale companies regarding standards, procedures and issues of general interest pertaining to Supreme Decree DS 024-2016, published by the Ministry of Energy and Mines and its modification D.S. 023 – 2017 E.M. The results of these courses were the following.

TABLE 59
Training for contractors

TYPE OF COMPANY	TOTAL NUMBER OF TRAINING HOURS	N° OF PEOPLE	TRAINING HOURS PER PERSON
Associated and small-scale companies	80,795	2,653	30
Mining companies	131,298	2,808	47
Artisanal mining	20,178	586	34

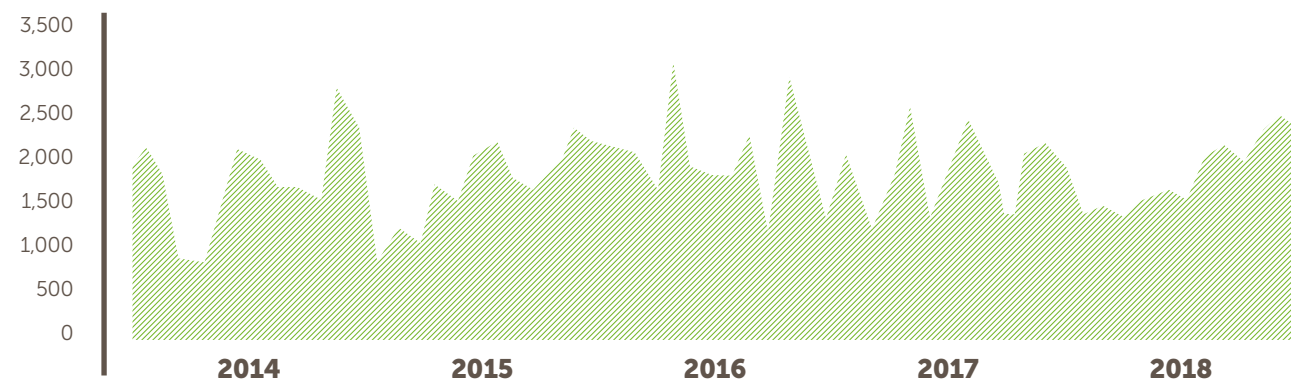
> CERTIFICATION PROGRAM "ACCOMPANY MY DEVELOPMENT"

In 2011, we started the program "Accompany my development", which allows us to educate adults effectively. The program focuses on training in safe work procedures and standards. It is characterized by the JClic evaluations and planned observations to measure the results of the training theoretical and practical.

TABLE 60
Number of Written Safe Work Procedures assessed, approved and certified

TYPE OF SUPPLIER	2012	2013	2014	2015	2016	2017	2018
Poderosa	22	554	2,235	2,998	1,743	1,176	827
Mining contractors	142	3,802	17,441	13,547	15,645	14,181	13,860
Related contractors	35	69	352	1,743	4,298	4,613	3,762
Artisanal miners	11	35	2,326	2,791	2,184	2,042	3,228
Micro businesses		27	104	332	1,297	1,482	1,456
General total	210	4,487	22,458	21,411	25,167	23,494	23,133

GRAPH 33
Number of PETS approved and certified



ACKNOWLEDGEMENT PROGRAM

Acknowledgement of labor performance promotes positive change and this allows workers to reflect our brand, vision, values and strategies every day. These are then transmitted through their commitment and behavior. In this regard, the following activities were carried out during 2018.

> MINER OF THE YEAR AWARD "JESÚS ARIAS DÁVILA"

Prize to acknowledge the most outstanding performance workers both from Poderosa and contracting companies. The aim is to promote safe behavior and motivate our staff. The Jesus Arias Davila Award assesses safe behaviors in areas of operational discipline, 5S philosophy, as well as teamwork, initiative, respect, productivity and safety training.

Altogether 34 employees, 12 workers and 5 supervisors who work for Poderosa and another 12 workers from contracting companies were awarded this prize during celebrations for Miner's Day on December 5.

> CONTINUOUS IMPROVEMENT CIRCLES AND TEAMWORK

On November 2018, the XIX Quality Assurance Week was held at Poderosa under the slogan "Clean work for quality production". 15 projects were presented by the different areas. The winners were:



Services Category

- Gold Miner Award: Reduce incidents in the operation of the pneumatic shovel through remote control in narrow spaces, in the Maintenance process.
- Silver Miner Award: Electric energy consumption reduction in the main fans and compressors by implementing a control and monitoring system, in the Energy process.

Production Category

- Gold Miner Award: Increase drilling distance by using 8 feet bars, in the progress works with section size equal or greater than 2.50 x 2.70m in Santa Maria, in the Mining Process

The winners of the XIX Quality Assurance Week at Poderosa received the Project Enhancement Management Award during the 2018 National Quality Week, organized by the National Association of Industries.



Acknowledgement of labor performance promotes positive change and this allows workers to reflect our brand, vision, values and strategies every day.

> COLPA

For the fifth year running, we participated in the national 5S competition organized by the Kenshu Kiokay Association of Peru (AOTS Peru), sponsored by the Embassy of Japan. In 2018 our Administrative Offices (Surco and Chorrillos) and our operational units (Marañon and Santa Maria production units) were awarded the gold medal prize.

Encouraging the use of the 5S philosophy has stretched beyond our boundaries. This philosophy has been instilled in our temporary workers as well as in the mine's surrounding communities, particularly in schools where our employees have led seminars and workshops in order to teach this method to schoolchildren.

WORKPLACE ENVIRONMENT

A working environment that reflects harmony and welfare has a positive impact on our daily work. Therefore, we used results from the last Workplace Environment survey in 2018, to monitor compliance of action plans aligned with our strategic objectives. Every enhancement that was put into practice aimed at seeking better working conditions of our workers.

Among the projects that were completed, we can highlight the following

- Improvement of the playgrounds: Installation of a mesh surrounding the field and bleacher repair at Vijus and Paraiso sites.
- Road and pedestrian access improvement: placement of guardrails and traffic signals at Paraiso.
- Renovation of the roofs in the workers camps: Hotels E and K, included painting and maintenance of the canteens at Vijus, Paraiso and Santa Maria.

- Implementation of a canteen in level 2670 (Santa Maria): The concessionaire, Nitema, will serve 300 diners, in average.
- Implementation of a satellite canteen in level 2410 (P Santa Maria): The concessionaire, Santa Monica, will serve 60 diners, in average.
- New bedding in the hotels: For all the line staff and employees in Vijus, Paraiso, Santa Maria and Cedro.
- Implementation of Reading areas in the camps: Small libraries were set up, these are located inside the hotels in Vijus, Paraiso, Santa Maria and Cedro.
- Renovation of the kiosks in the sports ground at Paraiso.

These works were executed progressively, according to an established priority as to cover the needs detected by the staff.

We must mention that in January 2019, a new survey on labor environment will be carried out.

GRAPH 34
Workplace environment cycle



LABOR RELATIONS

TABLE 61

PERSONNEL THAT MAKE UP THE SOLE LABOR UNION (SLU)		
Workers who are SLU members	231	32.58%
Workers who are non-SLU members	78	11.00%
Employees covered by a collective agreement	0*	0.00%
Total Workmen	309	43.58%
Total Employees	400	56.42%
Total workers	709	

*No employees became members of the SLU.

Human rights: We are an employer that does not discriminate based on gender, religion, race, sexual orientation or HIV. To date, we have not received any complaint or claim for violating human rights, or discrimination.

Labor Conflicts: During 2018, no strikes took place due to labor conflicts.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

During 2018, the Senior Management, with the leadership of General Management, supervised the commitments established under the safety and security policies, procedures, regulations and standards. The leadership is evident through the development of management inspections, daily meetings and interaction with the workers; as well as in quarterly meetings of the committees with the Contractor General Managers. The line of command is accountable for the performance during individual inspections, IPERC quality assessments, verification of the work cycle, among other tools. On the other hand, the workers are responsible for their safety and that of their peers. As part of our sustainability policy, safety professionals carried out "field follow-up", together with the line of command, putting into practice labor risk prevention techniques such as ongoing IPERC, ATS and PETAR, as well as initiatives of behavioral change: STOP and 7 Golden Rules.



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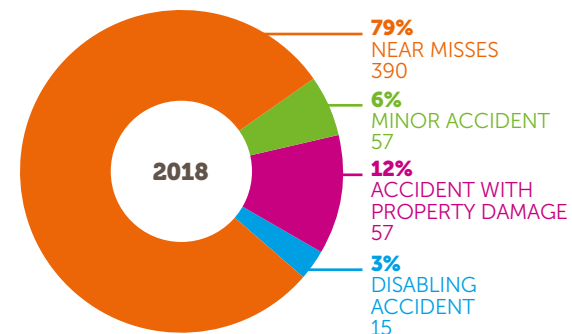
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We had the participation and involvement of the eight leaders of the following subcommittees who worked on function management and follow-up: Operational Discipline, Accident Investigation, Labor Preventive Observation, Risk Management, Training and Development, Communication-Motivation-Awareness-Cultural Change, Contractor and Change Management. Security Alerts were reinforced in case of undesired events and accountability was achieved through the implementation of corrective actions by the contractors.

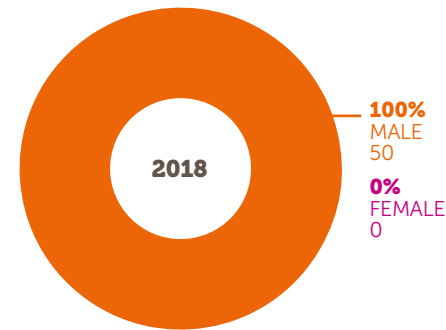
As to react rapidly and to be able to control certain events, the first responder teams received training and carried out drills; all the same, new rescue equipment was purchased for the Hazardous Materials brigades (MATPEL), rescue vehicles, together with first aids kits and fire-fighting equipment. It is important to mention that we have emergency stations at Chagual, Vijus, Papagallo, Cedro and Santa Maria.

There were no fatal accidents during 2018. Accident rate fell in 91%, compared to the previous year, and the severity index fell in 31.3%. All the same the number of days lost was 962, which represented an 84.7% reduction compared to 2017. We had three periods during the year which were outstanding due to the number of man-hours with no disabling accidents: April-May (1'069,739); August-October (1'416,156) and November-December (1'105,075). This encourages us to continue working firmly to meet our zero-injury goal in the shortest possible time.

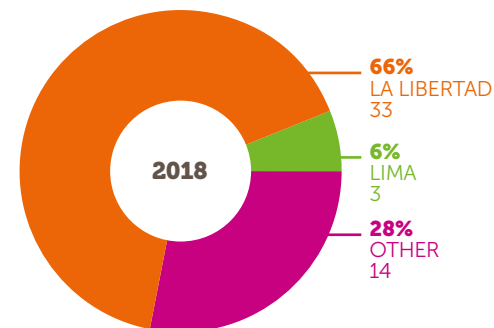
GRAPH 35
Report by type of accident / Near misses



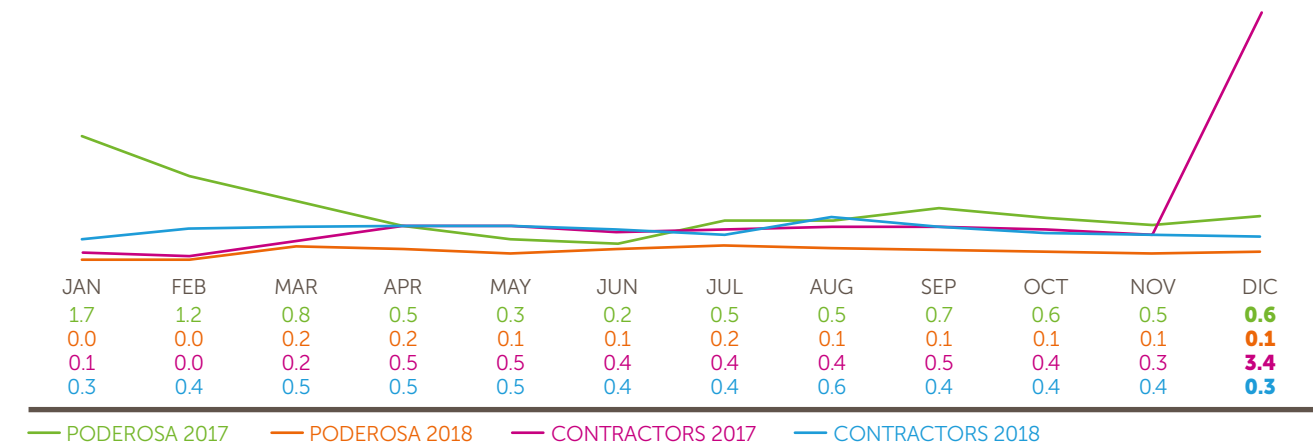
GRAPH 36
Accident report per gender



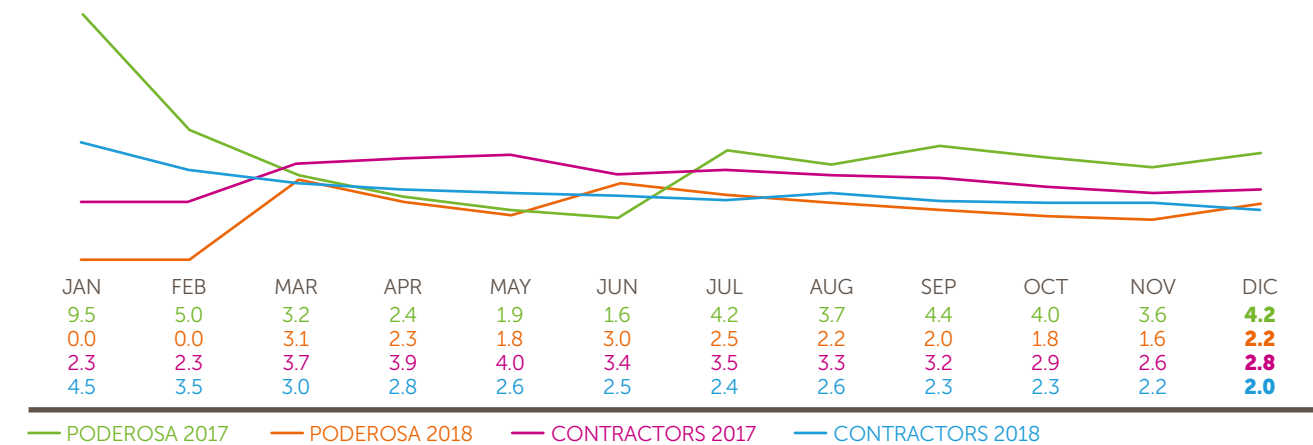
GRAPH 37
Accident report per region



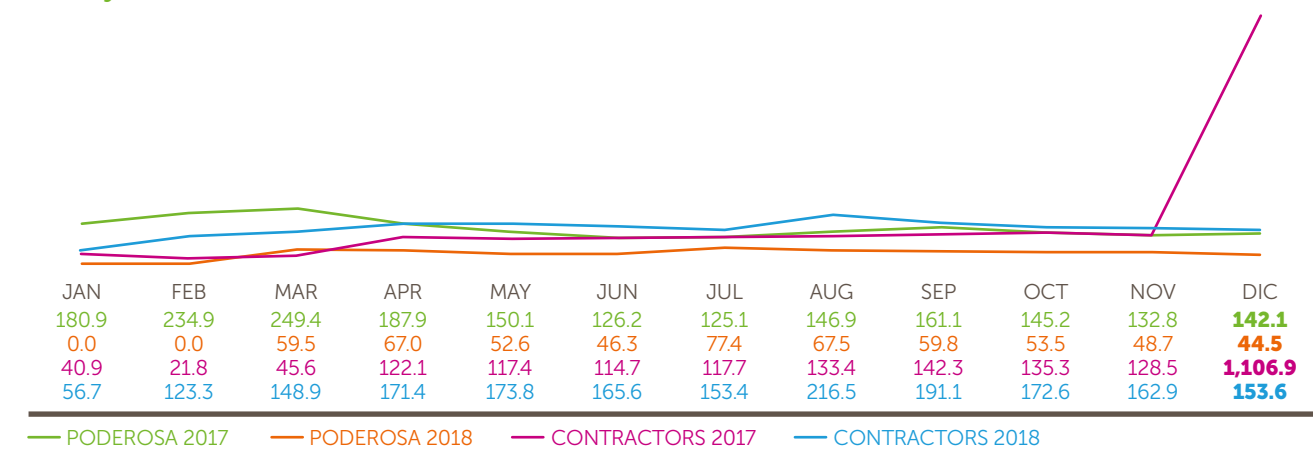
GRAPH 38
Accident Rate (AR) 2017-2018



GRAPH 39
Frequency Index (FI) 2017-2018



GRAPH 40
Severity Index (SI) 2017-2018



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403-2

> OCCUPATIONAL HEALTH AND SAFETY TRAINING

In 2018, a total of 237,914 man-hours training were provided to our workers and contractors.

We must highlight the training and advise was provided by Dupont on Operational Supervision skills, which was reinforced with follow-up in the field to the command line inside the mine.

Audits.

In February and March, DuPont conducted audits to the Occupational Safety and Health System. In September, professionals from the Occupational Safety and Health area carried out an internal audit to the IPERC preventive techniques, 7 Golden Rules and Operational Discipline. In December, Seratec conducted a legal compliance audit.



Occupational Health and Safety Committee

This committee meets on a monthly basis and is the highest occupational safety and health authority. It promotes initiatives regarding methods and procedures for effective risk prevention. It is made up of 12 members (50% are employee representatives and the remaining 50% represent the company) and it is chaired by the General Manager.

> OCCUPATIONAL HEALTH MANAGEMENT

Occupational Hygiene

In order to identify and understand the real or potential existence of physical, chemical, biological, ergonomic and psychosocial factors in our working environment, a comprehensive occupational hygiene program was carried out.

Occupational Medical Surveillance

We continue with our strategy to promote common and occupational disease prevention campaigns, for which we have identified health risks and proposed prevention and control activities established in the 2018 yearly program.

In this regard we carried out training activities to prevent prevailing common diseases and occupational diseases, and we held a course on occupational health and first aid, for all our workers. All the same, with the participation of the Psychologist we have given conferences all year round in the Maintenance area. On the other hand, we have carried out several health campaigns, among which we can mention the following: dental, fumigation for the control of malaria, bartonella, dengue, zika, chikunguya and other mosquitoes; and vaccination against influenza, hepatitis A and B, and typhoid. Microbiological laboratory tests were run on drinking water, the environment as well as on living and inert surfaces in the canteens; people who handle food were tested to rule out parasitosis and mycosis. Monitoring of biological agents was carried out in different working areas both in the surface and inside the mine.

Refinery, metallurgical laboratory and chemical laboratory workers were tested on a regular basis for lead and arsenic. We continued with the oral rehydration program for the workers inside the mine.

The incidence rate for common diseases was 32.58% (target $\leq 35\%$), lower than that recorded for 2017 (35.16%). Workplace absenteeism due to common illnesses was 5.95 medical leave days on average per month per one thousand workers. This figure was lower to the one reported in 2017, which was 14.46 days (target: ≤ 20 medical leave days per 1,000 workers).

Sustainable safety culture development

Every organization strives to develop a sound safety culture, with values, convictions, standards and good practices. The Bradley Curve, which helps to determine the impact of progress achieved in our safety culture and our preventive approach at work was adapted and updated in 2018. The results reveal a 67-point increase in Relative Safety Culture (RSC), in other words, a 26.42% increase compared to 2015 (year in which measurements began). On the other hand, the Recordable Case Rate (RCR) has fallen 93.2% since 2015.

IPERC

IPERC is a tool used to identify, analyze, assess,

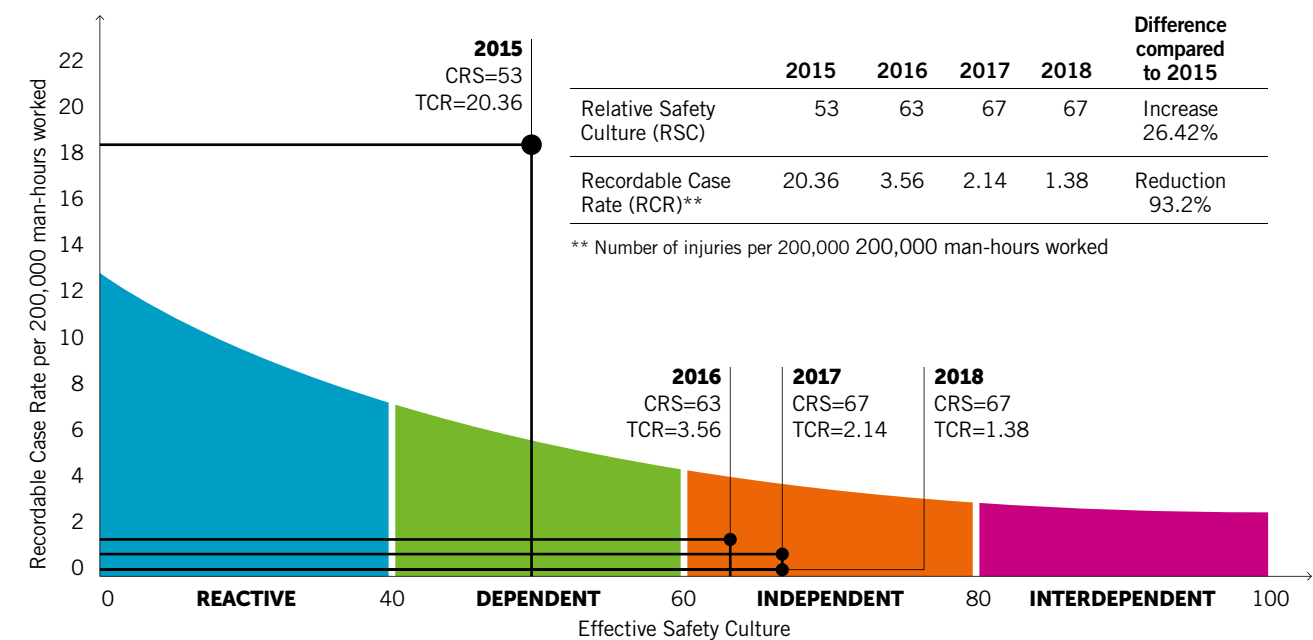
rank and manage task and process related risks, to prevent them from affecting workers occupational safety and health.

Workers must practice continuous IPERC before starting their daily work. They inspect their working area to identify hazards in their surroundings; if detected, they report them in a special format. As a policy, it was decided that every worker and contractor should participate in this exercise.



403-2

GRAPH 41
Evolution of the occupational health and safety culture 2015-2018. Bradley Curve



7 golden rules

The 7 Golden Rules continue to promote safe behavior among the workers through strict compliance and leads us to developing a prevention culture. They also encourage our staff, for they see that their behavior is an example for the rest of their peers.

FROM THE START

1
We do not work under the influence of alcohol, coca leaf or other illegal drugs

2
We wear and we preserve the Personal Protection Equipment (PPE) according to the Written Safe Work Procedures (PETS)

EQUIPMENT

3
We only operate engine-run equipment and winches with authorization

4
We do not enter in contact with equipment, systems or places that are blocked and/or labelled as dangerous

5
When driving vehicles, we respect the speed limits established by Poderosa. We all use seat belts when riding a vehicle.

WORKS

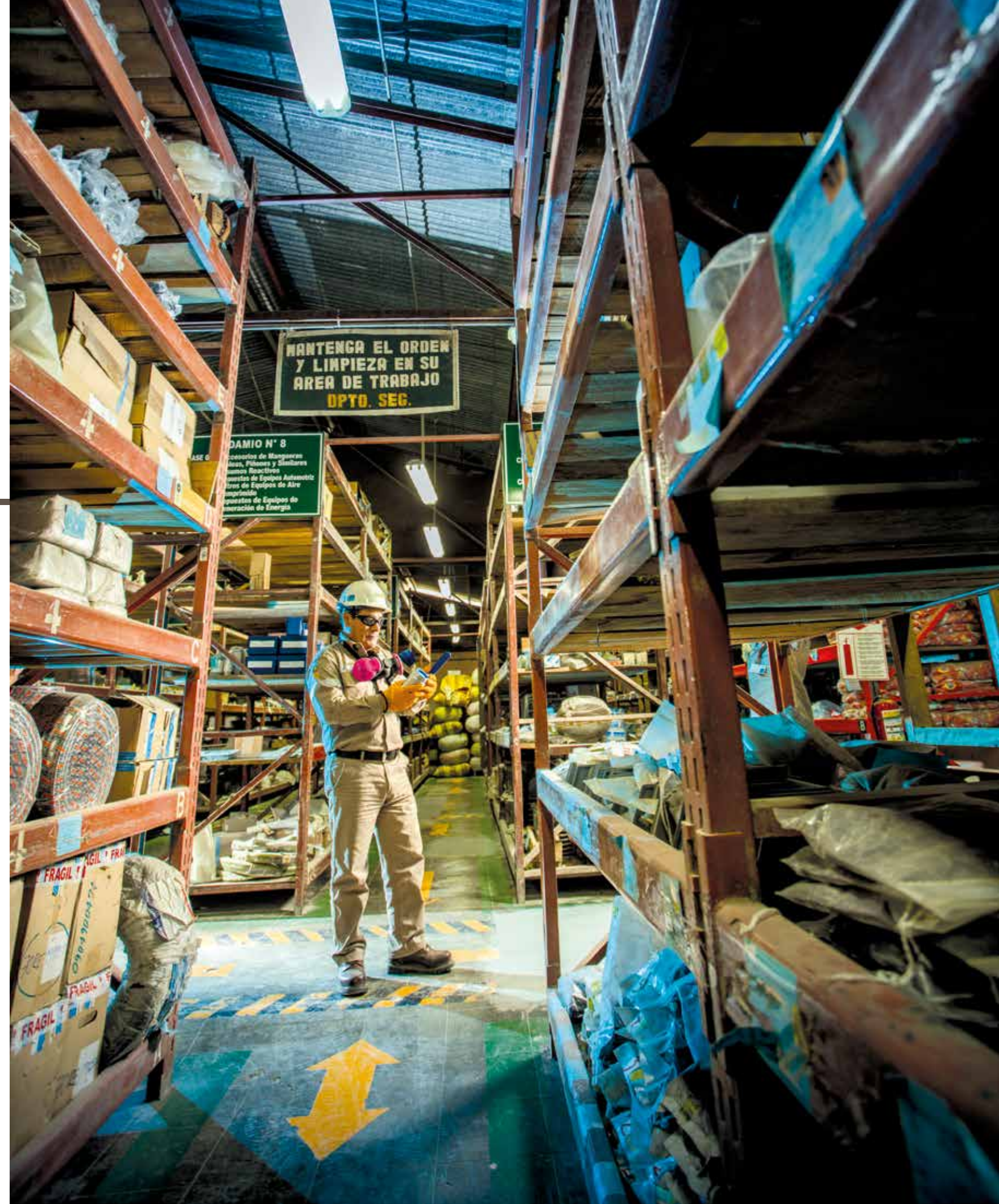
6
We only work in well ventilated and permitted areas

7
We always keep the spillways and lifting chimneys covered and with the grids fastened



CHAPTER 4

supplier development



We are focused on supplying goods and services to ensure our production and administrative processes are performed in a timely and efficient manner. Our supply chain considers several processes to help guarantee the supply of these goods and services. Our policies are defined, and we have good administrative and operational practices procedures, both internal and external, that seek to maintain and strengthen our trade relations in the long run, in a comprehensive and loyal manner.

Some frequent consumption products are referred to as "automatic replenishment" and include materials such as liquid and gaseous fuels, chemical products and reagents, grinding media, lubricants and oils, explosives and accessories, timber, among others. Many of these products are hazardous, therefore, their procurement is complicated due to legal standards and regulations. Likewise, transportation, storage and handling of these products is very risky because their physical and chemical properties can have adverse effects on people's health as well as on the company's facilities, processes and the environment. Therefore, these products are highly critical to the mining operation.



GRAPH 42
Origin of suppliers foreign - domestic



Local suppliers are individuals or legal entities established and located both in the district of Pataz and in other districts within the department of La Libertad where Poderosa carries out important operations. The company maintains contractual relations with these goods and services providers. The provision includes supplies per type of material turnover, in other words, supplies that are automatically replaced, charged directly, and for projects; the latter include machinery considered as fixed assets and equipment which are purchased according to the annual investment plan.

In 2017, we had 704 domestic and foreign suppliers (excluding contractors), all of which were duly assessed and selected. They supplied us with goods and services in compliance with our management, quality standards and requirements, and for implementation of our investment projects. In addition, we have signed 16 supply contracts after establishing partnerships with strategic suppliers and 12 contracts for transportation services, technical support for service inspection and complementary logistics operations. operación logística complementaria.



TABLE 62
Procurement (USD)

	GOODS		SERVICES		TOTAL	% TOTAL
Regional (La Libertad)	12'221,262	31%	5'928,961	44%	16'866,226	34%
Other Regions	25'215,503	64%	4'644,964	56%	31'144,464	62%
Imports	1'834,732	5%	0	0%	1'834,732	4%
Total	39'271,497	100%	10'573,926	100%	49'845,422	100%

* These figures correspond to the monetary value estimated from payments made to suppliers

The process starts with an internal request order according to the annual investment and costs plan. Managers, superintendents and department heads, approve these orders. Domestic procurement and imports are guaranteed by logistics planning manager together with a team of buyers and warehouse keepers. We also have a transit area or in-transit warehouse where materials and equipment are received and dispatched and then delivered to Chorrillos (Lima) and Trujillo. Five companies oversee transportation and operate the Lima-Trujillo-Mine route

We have two central warehouses, storage units, gas monitoring stations, timber storage facilities, ammunitions and heavy and bulky materials depots in our mining units.

QUALITY OF SUPPLIERS AND SERVICES IN GOOD PRACTICES

The criteria used to review and reassess our suppliers are: commercial risk, corporate social responsibility, experience accreditation, financial risk and management systems. For this purpose, we use the Kraljic Matrix (management tool) in order to assess and select suppliers based on product severity levels and not necessarily on purchasing volumes.

Furthermore, the Human Resources Department uses a new tool called Nine Box Performance Evaluation, which has enabled us to segment three performance groups and receive information on

monthly productivity and safety performance indicators from ten of our main contractors. This has enabled us to identify the following:

- **Elite contractors:** 30%. We have noted that this group has a strong safety performance and effective program compliance.
- **Promising contractors:** 50%. This group's results vary substantially. These contractors are in the process of standardizing results in order to become high achievers.
- **Low performing contractors:** 20%. This group has constantly shown a poor performance pattern and thus we need to pay special attention to it.

ACCIDENT RATE ALONG CRITICAL ROUTE

The logistics process comprises transportation of materials and equipment from the supplier's plants or warehouses abroad, or from/to Lima, Trujillo and Pacasmayo.

Hazardous materials, such as liquid and gaseous fuels, lubricants, explosives, sodium cyanide, chemical products, among others, are included in the list of goods transported. Maritime or air freight agents transport imported goods, while domestic transportation is done from the coast to our two mining units. Safety and control standards have been set in place to guarantee an adequate transportation service.

A zero-accident rate has been reported along the critical route in 2018.

GRAPH 43
Supply chain

SUPPLIER

Our strategic business partner, thoroughly selected according to our policies and regulations. It is responsible for manufacturing and/or supplying goods and services required for our processes.

LAND TRANSPORTATION

Service contracted to take the products to the end users in optimal conditions and in the requested time.

EXPLORATION

PROCESSING

CARGO AGENT WAREHOUSE

CLIENTS

They are instrumental links of the chain, willing to pay for the end product (dore bar), they give value to the product and to the brand it represents.



TRANSIT WAREHOUSE

Facility designed to receive, consolidate and dispatch purchased inputs as per our standards and procedures. It supplies materials to the central or supply warehouses.

SUPPLY WAREHOUSE (MINE)

Final facility for product (input) storage. The goods are dispatched to the end user (Geology, Mine, Plant, etc.), to serve in the transformation process from natural resources to end product (dore bar).

MINING

FINAL PRODUCT WAREHOUSE

Facility in our plant to store the products (dore bar).

AIR TRANSPORTATION

Means use to transport dore bars to the end customer.

CHAPTER 5

neighboring communities: our commitment with local development



Friendly, honest and transparent relations with the neighboring communities are the basis to build the sustainability of our community relation strategy and of our operation. We are focused on being a good neighbor and to build trust and work together to meet the guidelines established in D.S. 052-2010-EM.

We have strengthened our community work through the execution and signature of interinstitutional cooperation agreements. We have signed an agreement with the Pataz District Municipality under a 50%-50% financing scheme to execute six projects during 2018 for a total amount of PEN 3' 583,091.18 (as contribution). We must highlight that three of them were education projects, one was oriented to health services and two involved infrastructure projects.

In every social responsibility project, process and activity that we carry out, we apply the following intervention principles: sustainable human development, empowerment, and partnership. We assume the role of promotor and facilitator to build the capacities of the community leaders and organized civil society, who, in turn, assume the management of their own development through the Community Development Committees (CODECOS), as a model for social management and governance. We also build the capacities of the Juntas Administradoras de Agua y Saneamiento – Water and Sanitation Management Boards –JASS) in the Pataz



district. In this case, the purpose is to build organizational and management capabilities for the efficient management of water for human consumption through the formalization of the service and change to a payment basis culture, allowing the sustainability of the JASS in the long run.

RELATIONS AND INTERVENTION STRATEGIES

- Effective Communication and Citizen Participation: we promote citizen participation processes when implementing mining projects. This practice provides feedback to help with adequate decision-making, accountability and/or the adoption of agreements.
- Partnership and Joint Responsibility: In order to maximize benefits, we permanently seek to coordinate efforts and contributions between organizations and existing institutions, both at community and district level together with those outside the area but who also share joint responsibility.



We have signed an agreement with the Pataz District Municipality to execute six projects for a total amount of PEN 3' 583,091.18 (as contribution).

- Contribution to Sustainable Development: Above all, we meet the needs and support the projects prioritized within a properly established participatory district budget which, at the same time, are aligned with Poderosa's interests.

DIRECT AND INDIRECT AREA OF INFLUENCE

Our area of influence comprises the territory that, as a result of the construction, operation and closure of our projects, is subject to some sort of impact where mitigation or compensation measures need to be implemented.

In our case, each project, such as our plants, tailing ponds, landfills, roads, camps, etc., define their area of influence, for they have a different kind of impact and different scopes.

The Direct Area of Influence (DAI) of our mining operations include the fourteen communities in the Pataz district, and its political and geographic boundaries are the following:

- North and Northeast: up to Lavasen River, where it flows into Marañon River, between the districts of Pataz and Condormarca, where the Shicun, Nimpana and Chuquitambo are located, in Pataz.
- East: the eastern border of the district. The references are San Fernando, Pataz and Los Alisos communities.
- South: crossing Carrizales gorge, limit between the Pataz and Pias districts.
- West: the communities next to Marañon River, such as Chagual community, which in turn is the border between the Pataz and Sanchez Carrion provinces.

Indirect area of influence (IAI) covers:

- Northeast: Condormarca district, the references are the Huasipampa, Culpuy, Calquiche and Santa Clara villages.
- South: Carrizales ravine, taking Picuy as a reference, up to the Ariabanba river basin the Pias district.
- West: the villages next to the Marañon River margin, such as Chagualito community. This axis links the Aricapampa and Alto Molino villages in the Cochorco.

GRAPH 44
Area of Influence in La Libertad

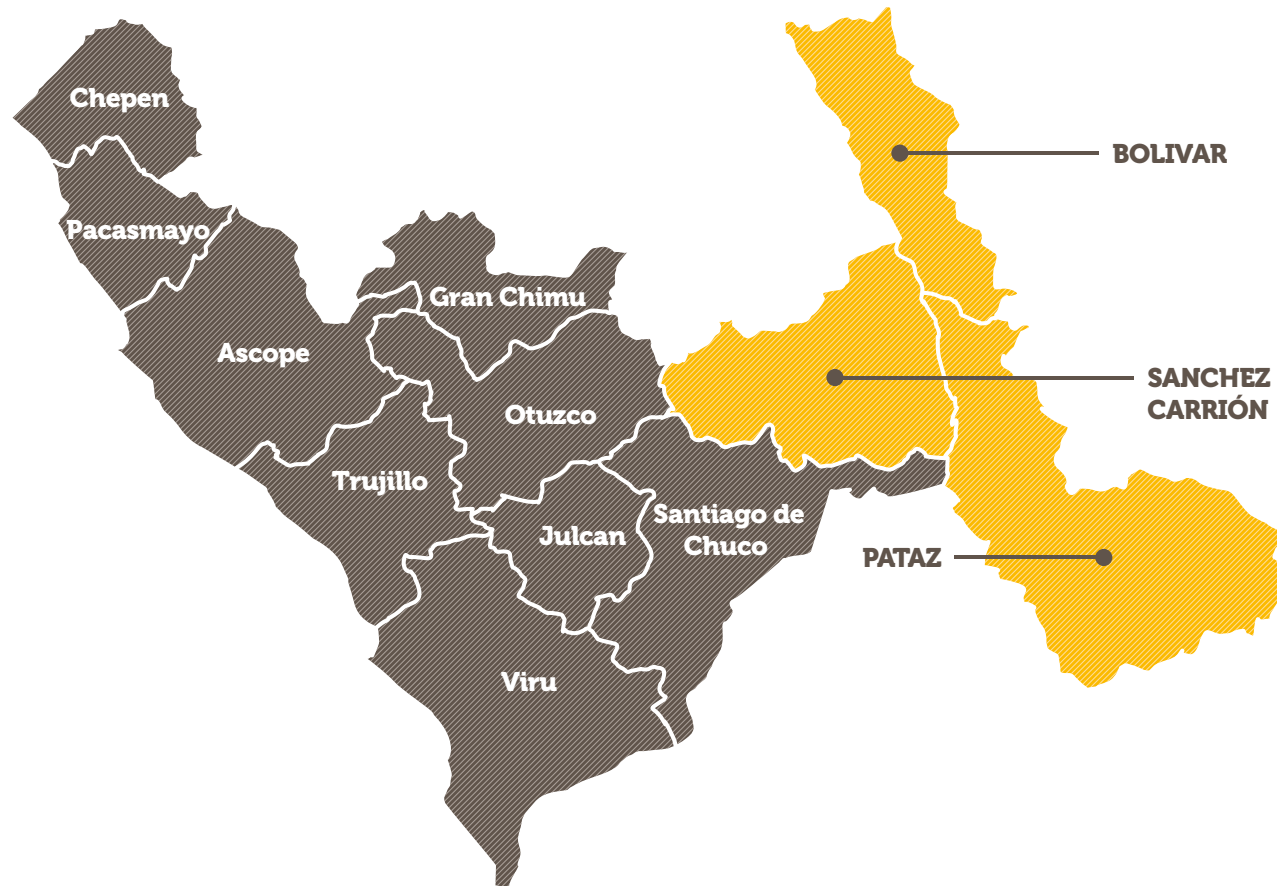


TABLE 63
Area of Influence in La Libertad and San Martin

PODEROSA PROJECT	REGION	PROVINCE	DISTRICT	LOCAL COMMUNITIES	DAI TOWNS	IAI TOWNS
Marañon Productive Unit	La Libertad	Pataz	Pataz		Vijus	
		Sanchez Carrion	Cochorcos			Chagualito, Aricapampa, Aragostay
Santa Maria Productive Unit	La Libertad	Pataz	Pataz		Pataz	
					Campamento	Los Alisos, Chigualen
					Pueblo Nuevo	
					Zarumilla	
Las Caderas Prospection	La Libertad	Bolivar	Bolivar	Bolivar		Bolivar
Misquichilca Prospection	La Libertad	Bolivar	Condormarca	C. C. Condormarca	Buenos Aires, Condormarca, Nuevo Condormarca	
				Condormarca		Capellania
Lavasén Proyect	La Libertad	Pataz	Pataz	C.C. Sol Naciente	Chuquitambo, Nimpana	
		Bolivar	Condormarca	Condormarca		Santa Clara
Las Defensas Exploration	La Libertad	Pataz	Pataz	C.C. Sol Naciente	Chuquitambo, Nimpana	
				Pataz	Shicun	
Palca Proyect	La Libertad	Pataz	Pataz	C.C. Andrés Rázuri de Suyubamba	Suyubamba, Antapita	
			Pias	Pias		Alacoto, Pamparacra, Pias
Ariabamba Prospection	La Libertad	Pataz	Pias	Pias		Pias, Cruz Colorada
Montañitas Prospection	La Libertad	Pataz	Tayabamba	C.C. La Victoria	Tomac, Huanapampa, Huarimarca, Alborada de Los Andes, Yuragpaccha	Chaquicocha, Hucchupampa, Vaqueria de Los Andes, Tambillos, Cielo Andino, Huarichaca, Nueva Esperanza, Pampa Grande, Antacolpa, Cajaspampa, Gochapita, Collay, Queros, Nuevo Progreso, Chilcabamba, Allauca, Suyopampa, La Unión
			Ongón	Ongón	Uctubamba, El Porvenir, Caña Brava, Frailetambo, Pampas, La Victoria, Tasajeras, Ongón	
			Huaylillas	C.C. Estrella de Oro		Macull, El Tingo, Huallhua, Sarabamba, El Aliza
				Huaylillas		Chungana, Huaylillas

TABLE 64
Population in the direct and indirect area of influence

REGION	PROVINCE	DISTRICT	VILLAGE
La Libertad	Bolívar	Condormarca	2,063
		Cochorco	9,340
	Sánchez Carrión	Chugay	18,753
		Sarín	9,945
		Huamachuco	62,424
	Santiago de Chuco	Cachicadan	7,964
		Quiruvilca	14,295
	Pataz	Pías	1,525
		Chilia	12,043
		Buldibuyo	3,836
		Huaylillas	2,338
		Pataz	8,804
		Ongón	1,694
		Tayabamba	14,586

It is worth mentioning that the IAI are outside the geographical area of the direct location of the projects, and it includes other districts as: Cochorco, Sartimbamba, and provinces, which are related through specific components such as:

- Chagual–Huamachuco–Trujillo road access route
- Trujillo–Tayabamba–Tomas road access route
- Vijus–Nuevo Condormarca horseshoe access route
- Cajabamba–Morena power transmission line

MANAGEMENT AND ACQUISITION OF REAL AND SURFACE RIGHTS FROM DWELLERS AND OWNERS

Negotiations, which are the responsibility of the Community Relations area, are based on a “win-win” principle, which guarantees our acquisitions to be sustainable over time. By the end of 2018, we have acquired 23 real and surface rights, 12 purchase and sales and 11 rights of use that will enable exploration and operation activities to grow and develop.

> MANAGING COMMUNICATIONS WITH NEIGHBORING COMMUNITIES

We have shared information of interest with each one of the fourteen communities in the Pataz



district, using communication tools such as the Batolito Comunitario newsletter, collectibles, radio and printed messages.

Likewise, we have informed about good working practices with the local government and about the contribution to development projects that have been executed through works for taxes or direct investment programs during 2018.

Ongoing dialog with each one of the different stakeholders, both internal and external, was key to carry out this strategy.

HANDLING OF GRIEVANCES AND COMPLAINTS

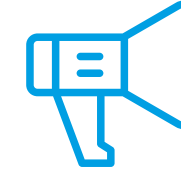
In order to prevent social conflicts because of the operations, we implemented the grievance, social complaints and compensatory damages procedures. The purpose is to maintain and strengthen our relationship with the population living in the area of influence through adequate and satisfactory resolution of complaints and grievances for damages to their property. In 2018 we solved three grievances and complaints procedures. The corresponding mitigation measures were undertaken, and compensatory damages paid.

COMMUNITY AND LOCAL MANAGEMENT

> ENHANCING LOCAL MANAGEMENT

We continue to provide advice to the Community Development Committees (CODECOS). By the end of 2018, fourteen of them were still active. All the same, the CODECOS in Chuquitambo, Nimpana, Shicún, Vijus, Pueblo Nuevo, Los Alisos, Zarumilla and Socorro renewed their Directors and obtained the Municipal Acknowledgement Resolution.

On the other hand, the CODECOS in Chuquitambo, Shicún, Socorro, Los Alisos and Nimpana registered their Board of Directors before the National Public Registry Superintence (SUNARP) in Huamachuco. So did the CODECOS in Campamento, Pueblo Nuevo and Zarumilla. As of the end of 2018, twelve committees were formally registered.



We have shared information of interest with each one of the fourteen communities in the Pataz district, using communication tools such as the Batolito Comunitario newsletter, collectibles, radio and printed messages.



WATER AND SANITATION MANAGEMENT

> ADVICE TO 19 JASS IN THE PATAZ DISTRICT

230 people have been trained: 78 JASS directors, 37 leaders or authorities and 115 dwellers, in management, operation and maintenance (AOM). The following topics were discussed: work plan design, cleaning and disinfection, by-laws and regulations, record keeping and cash management, and family quota. Also, chlorination and micro measurement activities were performed in JASS at Chagual, Suyubamba, Campamento, Pueblo Nuevo, Zarumilla, Socorro, and Chuquitambo.

> MUNICIPALITY ACKNOWLEDGMENT ORDER

19 JASS in the Pataz districts have been awarded the acknowledgement resolution. During 2018, the JASS board of directors of Socorro, Vijus and Chagual were renewed.



> PARTICIPATORY MONITORING

During 2018 two water infrastructure and flow participatory monitoring activities and three water quality monitoring activities were performed.

With respect to infrastructure, according to the results of the second monitoring, 16 water systems were considered in good condition and three, in regular condition. With respect to flow monitoring, the second monitoring carried out during the dry season, reported that 10 of the systems had enough volume to cover the demand of the population living in the Pataz district communities. However, a demand analysis forecasted 20 years into the future, showed that the flows in Vista Florida and La Colpa would not meet the population's demand.

With respect to water quality, according to the reports of the second water quality monitoring activity, on October 2018, bacteriologic analysis concluded that thirteen systems had good water quality and six, bad quality water where coliform bacteria were found above the maximum permissible level (in Nimpana, Vista Florida, Pataz, Yalen, Mangalpa and la Cienega). Regarding heavy metals analysis, five water systems registered presence of iron mainly, in Vijus, and arsenic in Vista Florida, Campamento, Pataz and Antapita.



In conclusion, out of the 19 water systems, 16 systems were found in good conditions and three in regular condition (Nimpana, Vista Florida and Mangalpa).

> MICRO MEASUREMENT MONITORING

We continue to provide technical advice to implement the micro measurement plan. By the end of 2018, ten water systems had micro measurement systems for human consumption: Chuquitambo, Shicún, Chagual, Suyubamba, Antapita, Campamento, San Fernando, Pueblo Nuevo, Zarumilla and Socorro. On the other had twelve water systems had chlorination systems: Chuquitambo, Shicún, Chagual, Campamento, Zarumilla, Socorro, Suyubamba, San Fernando and Pueblo Nuevo (three chlorination systems).

> INTERNSHIP OF THE JASS IN LOJA, EN ECUADOR

In October 2018, we sponsored the first international internship with the participation of 24 directors and leaders of 18 JASS from Pataz district, two representatives of the Pataz Municipality, two representatives of Poderosa, one representative of Asociacion



Sixteen water systems were found to be in good conditions and three in regular condition (Nimpana, Vista Florida y Mangalpa).

Pataz and two from ACS Consultores. During this life community internship, which was part of the Life Quality and Environment program, organized by the Loja Municipality and Calidad de Vida Internacional NGO, experiences were shared regarding water for human consumption, sanitation and solid waste comprehensive management with an environmental approach.

> RECONOGNITIONS

The water service for human consumption formalization process in Pataz was considered the best work in the Social Responsibility area during the XII CONAMIN. All the same, in the Premio Nacional Cultura del Agua 2018, organized by Water National Authority (known as ANA), it came out second in the Water Resource Management Good Practices.



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TABLE 65
Comprehensive evaluation of the tap water systems in the Pataz district communities, 2018

N°	TAP WATER SYSTEM	INFRA-ESTRUCTURE	VOLUME	QUALITY	GENERAL CONDITION	WATER SYSTEM WITT MICRO MEASUREMENT	JASS MANAGEMENT RATING
1	Chuquitambo	G	G	G	B	Yes	Good
2	Nimpana	R	G	B	R	No	Regular
3	Shicún	G	G	G	G	Yes	Regular
4	Vijus	G	G	B	G	No	Regular
5	Chagual	G	G	G	G	Yes	Good
6	Suyubamba	G	G	G	G	Yes	Good
7	San Fernando	G	G	G	G	Yes	Good
8	Vista Florida	G	R	B	R	No	Regular
9	Campamento	G	G	B	G	Yes	Good
10	Pataz	G	G	B	G	No	Regular
11	Pueblo Nuevo	G	G	G	G	Yes	Good
12	Yalen	G	G	B	G	No	Good
13	Los Alisos	G	G	G	G	No	Regular
14	Mangalpa	R	G	B	R	No	Regular
15	Zarumilla	G	G	G	G	Yes	Good
16	Socorro	G	G	G	G	Yes	Good
17	Colpa	R	R	G	G	No	Regular
18	Ciénega	G	G	B	G	No	Regular
19	Antapita	G	G	G	G	Yes	Buena
	Good	16	17	11	16	10 with micromasurement	10
	Regular	3	2	0	3	-	9
	Bad	0	0	8	0	9 with no micro measurement	0

* To determine the condition (G, R and B) per community, the indicators were considered with the following weight: infrastructure 30%, volume 30% and quality 40%. Also, the quality refers to the bacteriologic, chemical and physical aspects.



PROMOTING LOCAL EMPLOYMENT

Local employment promotion is carried out through our contractors. These hire a significant percentage of their labor from the local areas. By the end of 2018, local employment was promoted in 68 contractors in the following working areas: mining, services, civil works, etc.

SUPPORTING HEALTH

Support with medical assistance included medical services both for outpatients and for emergency situations, which in some cases included medical air evacuations to the city of Trujillo.

All the same, we carried out a dental campaign to develop dental health prevention and promote oral health recovery. 500 school age children and adults from Chuquitambo, Vista Florida, Nimpana and Vijus communities were examined. The investment in this campaign was PEN 25,000.

On the other hand, we executed a specific interinstitutional cooperation agreement with the Pataz district municipality to build the Chagual health clinic, representing a total investment of PEN 500,359.18.

ASOCIACIÓN PATAZ

Our scope of operations is broad, and it covers many communities, which have different development levels. Therefore, we organized and set up an intervention strategy to enable us to make the best possible use of available resources, both our own and from third parties, specifically through Asociacion Pataz created on December 30, 2004 by Compañía Minera Poderosa S.A. and Compañía Aurífera Suyubamba S.A. and which started operating on August 21, 2006.

Asociacion Pataz fosters cooperation between the public and private sectors through programs, projects and activities to support the communities and villages in the Pataz, Pias, Cochorco, Chilia, Chugay, Huaylillas, Ongon, Tayabamba, Bulbibuyo, Urpay, Sartimbamba and Condormarca districts,

adding up to 107 communities. All the same, it is constantly looking for domestic and international cooperation allies.

In the 2018 Sustainability Report, produced according to the Global Reporting Initiative (GRI) guidelines, attached to this document, we publish the projects carried out by Asociacion Pataz. The Report is also available at the following web site: www.asociacionpataz.org.pe

FORMALIZATION PROGRAM FOR ARTISANAL MINERS

In 2018 the number of artisanal miners undergoing formalization was 238. 27 managed to become formal. On the other hand, the number of mine shafts exploited increased from 433 in 2017 to 471 in 2018.

TABLA 66
Formalization of artisanal miners and mine shafts

Formalized	27
In the process of becoming formal	211
Mine shafts undergoing formalization	471
Informal	310
Informal mine shafts	370

Despite the efforts undertaken by the Regional Mining, Energy and Hydrocarbons Department to drive formalization of artisanal miners, it was unable to achieve the desired target. Basically, it was not possible for miners to overcome the regulatory barriers required for surface rights authorization or the authorization to use surface land, so that the owners can proceed with title clearance and the registration of their properties before the corresponding public registry office. In Pataz, as is the case in most rural areas in the country, this is not possible, since property rights of land occupants are duly recognized and respected even though the property is not registered before a public registry office.



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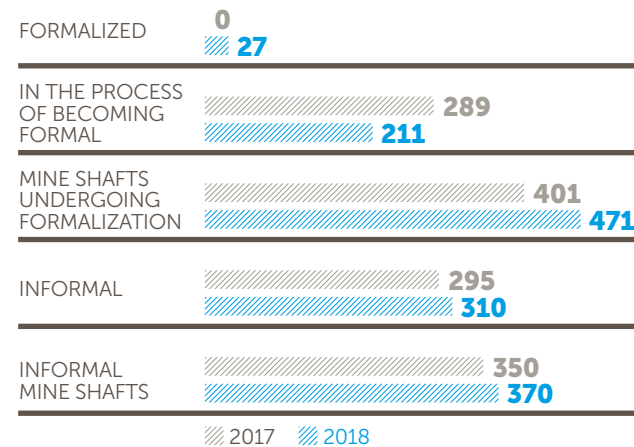
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On the other hand, artisanal miners have made some progress in the formalization process but have been unable to conclude it since they have not been granted the approval of the Environmental Management Instrument for Mining Formalization (IGAFOM) and the Authorization to Start/Restart exploration and exploitation activities by the Regional Government.

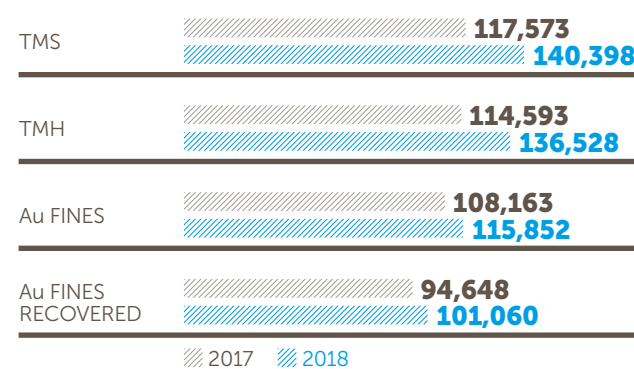
Artisanal mining is the main activity in the Province of Pataz.

In 2018 no overt conflicts which affected the sustainability of our operations or brought them to a standstill were reported.

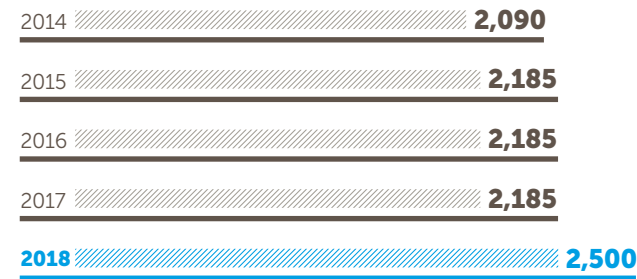
GRAPH 47
Artisanal miners in the process of becoming formal vs. Illegal miners



GRAPH 48
Artisanal mining production



GRAPH 49
Artisanal mining workers



ERRADICATION OF CHILD LABOR

We are firmly against child labor. Within the staff hiring conditions for artisanal miners or other services, we demand compliance with our internal labor regulation, which states under paragraph N.º 7 that, in order to work with Poderosa, the candidate must be 18 years old, or older, must have completed 5th grade of secondary education, and must present the following documents: education certificates, certificate of residence, criminal and police records, and, National Identity Document.

Failure to comply with this regulation will automatically result in the cancellation of the contract. Additionally, we permanently supervise, without prior notice, the work carried out by every artisanal miner who holds an operating contract or any other services contract.

WORKS FOR TAXES

The Works for Taxes mechanism is ruled by Law N° 29230 "Law to promote regional and local public investment with the participation of the Private Sector". It promotes the participation of private companies in Public Investment Projects (PIP), through public-private partnerships, at every government level. The communities in our surrounding area require social impact projects that benefit directly their inhabitants. Therefore, we work in an organized manner and in coordination with the municipal authorities to foster the development of the district and to reduce the

infrastructure gap in the direct and indirect area of influence of our mining units.

In order to hold better relations with the population and to increase our social responsibility, in 2018 we signed four investment agreements to execute education and rural electricity projects.

1. With the Cochorco district Municipality, to Improve School N° 82157 - Chagualito, for a total investment of approximately **PEN 1'847,611.85.**
2. With the Pataz district Municipality, for the Construction of the Library Park in Pataz, for a total investment of approximately **PEN 4'826,162.75.**
3. With the Bambamarca district Municipality, to Improve School N° 80116 - Calemar, for a total investment of approximately **PEN 1'398,430.43.**
4. With the Pias district Municipality, to provide electric energy to the villages in Alacoto, Pamparacra and Pucuchuyo – Pias, for a total investment of approximately **PEN 951,021.59.**

All the same, in 2018, we were able to deliver the Work for Taxes project: "Construction of the mechanized irrigation system in Sol Naciente farming community, Chuquitambo community", executed in Agreement with the La Libertad Regional Government. As a result of this project, 190 cultivation hectares now have a modern sprinkler irrigation system, with water coming from Lavasen river. The investment in this project was PEN 5'798,784.

It is worth mentioning that under this modality, we work on a series of projects under the strategic and pragmatic development approach in the education, water and sanitation areas.



Within the hiring requirements of artisanal miners and others services, we demand compliance with our internal work regulation



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CHAPTER 6

appendixes



APPENDIX 1

DIRECTORS PROFESSIONAL BACKGROUND

Evangelina Arias Vargas de Sologuren, Executive Chair of the Board of Directors. She graduated as an Architect from Universidad Nacional de Ingeniería (UNI) which, in 2014 awarded her the Doctor Honoris Causa title and in 2013 the School of Architecture of this university granted her the Habich Torch.

Currently, she also Chairs the Board of Directors of Asociación Pataz, she is Chairperson and Member of Sociedad Nacional de Minería, Petróleo y Energía (Peruvian National Mining, Oil and Energy Association – SNMPE), Alternate Director of Compañía Minera San Ignacio de Morococha (SIMSA), Advisory Board, Member of Consejo Empresarial Asesor de la Fundación Internacional para La Libertad (Advisory Business Council of the International Foundation for La Libertad - FIL), Director of the Peruvian Mining Engineer Institute (IIMP), Member of Mining Management Engineering Career Advisory Board at Universidad Peruana de Ciencias Aplicadas (UPC). Member of the Comité Consultivo del Comité Regional de Empresa, Estado, Academia y Sociedad Civil Organizada (CREEAS), Honorary Member of Women in Mining (WIM), Member of Women Corporate Directors (WCD), founding Member of Empresarios por la Integridad (ExI), among other.

She has been Chairperson of the Inter American Mining Society (Sociedad Interamericana de Minería - SIM) (2014-2016), Chairperson of the SNMPE (2013-2015), Director of CONFIEP (2013-2015), Chair of the Mining Sector Committee; Vice Chair of the Peruvian National Mining, Oil and Energy Association (2011-2013); Alternate Director of CONFIEP (2011-2013 y 2015-2017), member of CEAL (2013-2017), among other.

Mrs. Evangelina Arias Vargas de Sologuren is a shareholder with representative stock in the company.

José Picasso Salinas, Official Director since November 2006 and Vice Chairperson of the Board of Directors since April 2009. Businessman, Chairman

of the Board of Directors of Volcan Compañía Minera S.A.A., Vice Chairman of the Board of Directors of Reactivos Nacionales S.A., Director of Bodegas Vista Alegre S.A. and Director of Cementos Polpaico S.A. Chile. Director of the Peruvian National Mining, Oil and Energy Association. Member of Consejo Empresarial Chileno Peruano (Chile – Peru Business Council - CEChP). Previously, Mr. Jose Picasso was Vice-president for Embotelladora Latinoamericana S.A.A. (Coca Cola) and was a Director for Compañía Minera Atacocha S.A.A., EXSA S.A., Castrovirreyña Compañía Minera S.A., Corporación Minera Castrovirreyra S.A., Compañía Molinera del Perú S.A., Compañía de Seguros La Fenix Peruana S.A., Lima Stock Exchange and Acción Comunitaria. Mr. Jose Picasso is married to Mrs. Carolina Arias Vargas, a Director of the company.

Victoria Isabel Arias Vargas, Official Director since 2009. She was also an official director between 1991 and 1995, and alternate director between 2004 and 2009. Licentiate degree in Business Administration by Universidad de Lima, with postgraduate studies in the European Institute of Business Administration (INSEAD), Fontainebleau, France. She has been Commercial Manager and Director of Industrias Alimentarias S.A (INDALSA) and Deputy General Manager of Compañía Minera San Ignacio de Morococha S.A, General Manager of Servicios Pachachaca S.A. and Cleighdan Trading Inc., and Director of Sociedad Minera Gran Bretaña, ASINDE and member of the Peruvian National Mining, Oil and Energy Association Advisory Board, Expomina 2018, and Vice Chair of CEDRO Board of Directors. At present, she is Official Director of Compañía Minera Poderosa S.A., Chairperson of the Board of Directors of Compañía Minera San Ignacio de Morococha S.A.A., Director of the Club de la Banca y Comercio and Honorary Member of WOMEN CEO Peru, member of the OMA, Amautas Mineros Consulting Councils. Mrs. Isabel Arias Vargas is an important shareholder of the company.

Ana Carolina Arias Vargas, Official Director since March 2004, she was also an Official Director from 1997 to April 2001. She graduated as an economist from Universidad de Lima, and holds a Master's degree on Shipping, Trade and Finance by The

City University of London; she pursued the Top Management Program "PAD" at Universidad de Piura. From 1982 to 1999 she was an advisor to the trade management area Compañía Minera San Ignacio de Morococha S.A. In 2001 she became director of the Peruvian National Mining, Oil and Energy Association. From 2001 to 2006 she was vice chair of the Board of Directors of Compañía Minera San Ignacio de Morococha S.A.

Jorge Picasso Salinas, Official Director since 2009. He is a lawyer and a businessman. He is currently a director of several companies such as Inversiones en Turismo S.A. and Vida Camara Peru S.A. He has been the President of the Peruvian Bank Association and of the Peruvian National Confederation of Private Business Institutions (CONFIEP).

José De Bernardis Cuglievan, Official Director since March 1998. He was Executive Director of Poderosa from 2005 to 2007. Industrial Engineer graduated from the Universidad Nacional de Ingeniería with a master's degree by ESAN and MBA by Texas University. He has been Director of several companies, with broad experience in executive and

managerial positions in important companies, such as Cervecería Backus & Johnston, Compañía Nacional de Cerveza S.A., Quimpac S.A., Volcan Compañía Minera S.A.A. and Compañía Minera Atacocha S.A.A. and Compañía Minera San Ignacio de Morococha S.A. until 2010. Mr. De Bernardis is an Independent Director.

Juan Antonio Assereto Duharte, Official Director since 2001. He graduated as a Geologist Engineer from Universidad Nacional Mayor de San Marcos, pursued studies in the Top Management Program – PAD at Universidad de Piura and the CEOs Program at Kellogg, North Western University. He is currently a member of the Board of Directors of Compañía Minera San Ignacio de Morococha S.A., and he works as representative, advisor and consultant for several mining and hydrocarbon companies. He is Director-Treasurer of the Silver Board of Peru and has been President of the Organizing Committee of the National Silver Contest. He was awarded the President of the Republic prize in the 20 editions held since 1997. He was recently a member of the Board of Directors of Petroperu S.A. He was formerly Executive Director of Comisión de Promoción de



la Inversion Privada (Private Investment Promotion Commission– COPRI), Chairman of the Board of Directors and of the Special Privatization Committee (CEPRI) of Centromin Peru, S.A., General Manager and then Chairperson of the Board of Directors and member of the Special Privatization Committee (CEPRI) for Tintaya S.A., Chairperson of the Board of Directors of Perupetro S.A., Board of Directors member of Refineria La Pampilla, Board of Directors member of Empresa Electrica de Piura S.A. and Compañia Minera Iscaycruz. In 1997 he received the Engineer of the Year award from the Sociedad de Ingenieros del Peru (Peruvian Engineers' Association). Mr. Assereto is an independent Director.

Walter Eduardo Sologuren Jordan, Official Director since 2009. He was also an Official Director between 1987 and 1997 and an Alternate Director from



2004 to 2008. He studied Geology at Universidad Nacional de Ingenieria and holds a master's degree in Business Administration from ESAN. He has been consultant geologist and, as such, in 1977, he visited the province of Pataz to explore prospects for the Arias family, among other activities. In 1978, when he was Exploration Manager of Agessa, he took part in the construction of the Poderosa Project. In 1984, he assumed the position of Operations Manager of Poderosa and in 1987, he became General Manager. During his office, he was responsible for the growth from 120 to 650 tons per day; he pushed the project for the second plant of 200 t/d and decided the emission of two issues of corporate bonds. He has also been General Manager of other companies of the Arias family as well as of Barrick Misquichilca S.A., where he oversaw the design and implementation of the Pierina mine and was Manager of Corporate Affairs. Later, he was Executive Director of Compañia Aurifera Real Aventura S.A.C. His work within this industry includes chairing the Peruvian National Association of Mining, Oil and Energy (SNMPE) and has been President and founder of the Gold Committee and the Environmental Affairs Committee. He has been a professor at Universidad Nacional de Ingenieria and Pontificia Universidad Catolica del Peru. In 2000, he was elected Businessman of the Millennium by Universidad Nacional de Ingenieria. He is also a member of the External Consultative Committee at the School of Engineering, Mining Section at Pontificia Universidad Catolica del Peru. He is a member of the Consulting Committee at the SNMPE. Mr. Walter Sologuren is married to Executive Chairperson Evangelina Arias Vargas de Sologuren.

Víctor Augusto C. Ostolaza Fernández, Official Director since 2000. He was Alternate Director from 1999 to 2000. He pursued studies at Universidad de Lima School of Law and Political Sciences where he graduated as a lawyer. He works with the Rossello Law Firm. He is responsible for the corporate and financial legal area at the firm. He has broad experience in tax regulation and corporate structure, including tax, corporate, commercial, civil, and contract areas, specialized in company reorganization and restructuring. He is a Director of several corporations, including Compañia Minera San Ignacio de Morococha and Empresa Editora La

Industria de Chiclayo. He is the legal advisor to the company.

Adolfo Darío Arias Díaz, Official Director since December 2015. He was also an Alternate Director from 1999 to 2015. He studied at Fairleigh Dickinson University, Teaneck New Jersey, U.S.A. where he received a bachelor's degree of science in Electrical Engineering and a Master of Administrative Science degree. He currently acts as General Manager of Cultivos Organicos S.A.C. Mr. Adolfo Arias is son to the main shareholder of the company, Mr. Agustin Arias Davila.

José Marún Sales, Official Director since 2017. He is a mining engineer, graduated from Universidad Nacional de San Juan, Argentina, with more than 30 years of experience in copper and gold mining operations. He has pursued specialization courses in international business at the London Business School Global Business Consortium. He was General Manager at Xstrata Tintaya, Executive Vice President of Operations for South America at Xstrata Copper, for Peru, Chile and Argentina, where he was responsible for the operations at Tintaya, Antapaccay, Las Bambas, in Peru, Minera Alumbrera, in Argentina, and Lomas Bayas, in Chile, between 2007 and 2013. From 2007 to 2010 he was also a member of the Antamina partners advisory committee. He was Executive General Manager of Operations for Argentina and Chile at Glencore (2013-2015).

From 2015 until June 2018, he was General Manager and CEO of Komatsu Mitsui Maquinarias de Peru S.A. Currently, he is advisor to mining companies and an Independent Director.

Juan Antonio Proaño Arias, Alternate Director since year 2009. He was an Official Director between 2001 and 2003, and an Alternate Director from 2004 to 2007. Mr. Proaño studied Mining Engineering at Universidad Nacional de Ingenieria; Economic Geology at Stanford University, California, USA; and completed the High Management Program at Universidad de Piura. He was Director of Cerro Grande Mining Corporation, a company with mining operations in Chile. He was vice-president of Compañia Minera El Indio and Compañia Minera

San Jose, both in Chile, as well as of Compañia Minera San Ignacio de Morococha S.A.A. He was General Manager of Sociedad Minera El Brocal S.A.A.; International Officer at the Interamerican Development Bank; Chief Engineer of Corporacion Interamericana de Inversiones, both based in Washington, D.C. U.S.A.; geologist at Cerro de Pasco Corporation, International Officer for Rio Doce Geologia e Mineracao, subsidiary of Companhia Vale do Rio Doce, in Brazil, and St. Joe Minerals Corporation, in New York, USA. He was Chair of the Peruvian Geology Association; Director of the National Mining, Oil and Energy Association; and Chair of the Peruvian Mining Producers Committee; Founder Director of the Mining Security Institute; Director of the Peruvian Mining Engineer Institute, among other. Mr. Proaño is an Independent Director.

Fernando Cantuarias Alfaro, Alternate Director since 2009. He was also an Official Director from 1980 to 1995 and Alternate Director between 2004 and 2007. He was the founder and senior partner of Estudio Cantuarias, Garrido Lecca y Mulanovich Abogados SCRL law firm which merged with Estudio Rosello law firm. He is currently a consultant for this law firm. He studied at Pontificia Universidad Catolica del Peru and graduated as a lawyer at Universidad Nacional Mayor de San Marcos. He has worked mainly in the private sector as an expert in commercial law, in contract and tax aspects of the mining and industrial sectors, as well as in bids and public tenders. He works abroad as an advisor to domestic and foreign clients on contractual aspects and is an advisor to government entities on bids and tenders. He is a consultant for different business groups and a member of the board of directors of most of the companies he advises. On several occasions he has been invited to be and arbitrator in some of the most important arbitration courts in Lima. From 2006-2007 he was the chief of the advisory board to the Minister of Housing and Construction and in 2008 he worked as the chief of the advisory board to the Ministry of Public Health. Currently, he is on a study leave and works full time as an advisor to the Ministry of Foreign Trade and Tourism. Mr. Cantuarias is legal advisor to Poderosa in some specific issues

Eduardo Ferrero Costa, Alternate Director since 2007. He is a lawyer and doctor in law by Pontificia Universidad Catolica del Peru. He has been senior partner at Estudio Echeopar Abogados law firm and head of its International area. He is a professor of International Public Law at Pontificia Universidad Catolica del Peru and works as a private consultor in international affairs, arbitration and corporate matters. He is a Director for several companies.

He is a member of The Hague Permanent Arbitration Court, and President of the Arbitration Center of the Peruvian-American Chamber of Commerce. He has acted as Peruvian Minister of Foreign Affairs before the United States of America and the Organization of American States (AOS). He has also been a professor of International Public Law at Universidad del Pacifico, where he was Dean of the Law School. He is the author of several publications on international law. He has acted as Peru's General Attorney in international proceedings, including the case against Chile with the International Court of Justice.

Ricardo Eleazar Revoredo Luna, Alternate Director since 2007. He holds a licentiate degree in Business Administration by Universidad Nacional Federico Villarreal in Lima, Peru, with post graduate studies at the Brazilian Institute of Capital Markets (IBMEC), RJ Brazil and specialization studies in finance at ESAN. He has been Vice Chairman of the Board of Directors at the Lima Stock Exchange and at CAVALI ICLV S.A. He is Director of Proyectos Medicos S.A. and is a consultant on financial and capital market matters for several private companies.

Rafael Picasso Salinas, Alternate Director since April 2009. He is a Lawyer at Estudio Echeopar Law firm since 1990 and partner since 2004. He is the Chairman of the Board of Directors of INVERTUR, Director of Reactivos Nacionales S.A. (RENASA), Director of Granja Azul S.A., Chairman of the Board of Directors of AFP Habitat and Director of HDI Seguros S.A.

Carolina María Castro Quirós, Alternate Director since 2012. She pursued studies at the Universidad de Lima School of Law and Political Sciences where he graduated as a lawyer. She is a partner at Estudio Rossello Abogados law firm in Corporate and Financial Law. She is an Alternate Director for Compañía Minera San Ignacio de Morococha S.A.A. She has broad experience in corporate and financial structuring, including corporate, commercial and civil.

Carlos Aranda Arce, Alternate Director since 2017. He holds a master's degree in Biologic Sciences, and graduated from Universidad de Puerto Rico, Recinto de Rio Piedras. He is Technical Services Manager at Southern Peru Copper Corporation, Peru branch. He is a member of The Extractive Industries Transparency Initiative (EITI) International Board of Directors and official mining company representative before the EITI Peru Permanent Multisector National Committee. Chair and Director of the Instituto de Estudios Energetico Mineros (IDEM). SNMPE advisor of the Peruvian Delegation before the International Maritime Organization (IMO). He is Vice chair of Citizen Participation before the Consejo de Cooperacion con la Direccion Ejecutiva de Turismo de la Policia Nacional del Peru (Cooperation Council with the National Police Tourism Executive Board). He was Director of the SNMPE between 1998 and 2001. Between 1995 and 2016 he chaired the SNMPE Environment Issues Committee. In 2008 he was invited to be part of the working team that drafted the Law to create the Ministry of the Environment and was later member of the Advisory Board of this Ministry until 2012. He was a member of the Board of Directors of Fondo de Promocion de las Areas Naturales Protegidas del Peru (Peruvian Natural Protected Areas Trust -PROFONANPE) between 2009 and 2013 representing CONFIEP. Between 2009 and 2011, he was Chair of the AmCham Sustainable Development Committee.

APPENDIX 2

OFFICERS PROFESSIONAL BACKGROUND

Russell Marcelo Santillana Salas, General Manager of Compañía Minera Poderosa S.A. He graduated in 1973 as a Mining Engineer from Universidad Nacional de Ingenieria and holds Colegio de Ingenieros del Peru –CIP, registry number 16431. He was worked for 45 years in different mining companies such as Compañía Minera La Virreyna S.A., San Ignacio de Morococha S. A. (SIMSA) and Compañía Minera Milpo S.A. Before joining Poderosa, he worked as General Superintendent of Sociedad Anonima Minera Regina S.A. He has worked for 33 years with Compañía Minera Poderosa S.A., which he joined in 1986 as Operations Deputy Manager. In 1988 he was promoted to Operations Manager and in December 2001 he was appointed General Manager. As of 2005 he is the company's representative before the Stock Exchange. He has pursued post graduate courses at ESAN and Universidad de Lima. He was part time professor at Universidad Nacional de Ingenieria, responsible for the Projects and Reporting course. He has participated and has been a speaker in several specialized mining congresses and has visited several mines in Peru and abroad. He was a member of the Peruvian Association of Engineers, Mining Chapter Governing Board. Former Chair of the Instituto de Seguridad Minera (Mining Safety and Security Institute – ISEM) where he is currently a Director. Currently, he is a member of the Peruvian National Mining, Oil and Energy Association Governing Board and member of Mining Sector Committee of said institution. He is a Member of the Board of Directors of the Peruvian Mining Engineers Institute, for the period 2016-2018. As a recognition to his outstanding professional career, in June 2018, the Peruvian Engineer Association awarded him the "Medalla Consejo Departamental de Lima". In September 2018, KPMG Perú and Semana Economica recognized him as the "Most Profitable CEO in 2018", awarding him the first place in the mining category.

Daniel Torres Espinoza, Operations Manager since January 2, 2017. Mining Engineer graduated from Universidad Nacional de Ingenieria, ranking first in his class. He then pursued a Quick MBA at GERENS. He

was 28 years of experience in underground, gold, tin and polymetallic mining. Between 2014 and 2017 he was working as Operations Manager for Minsur S.A. Unidad San Rafael (Breca Grupo Empresarial Mining Division). Between 2011 and 2014 he was Operations Manager at Andaychagua, San Cristobal and Operations Manager for Unidad Yauli (interim) from Volcan Compañía Minera. Before that, from 2004 to 2011 he worked as Planning Superintendent for Unidad Yauli and for Empresa Administradora Chungar property of Volcan Compañía Minera. From 2000 to 2004 he worked as Mining and Planning Superintendent at Compañía Minera Huaron, property of Pan American Silver. Before 2000, he was Mine Project and Planning Head at Empresa Minera Yauliyacu (now, Quenuales) property of Glencore, and in Centromin Peru as Area Chief, Section Chief, and Guard Chief. It must be mentioned that engineer Torres started his career as Mine Planning Assistant in Compañía Minera Poderosa. He has also been guest speaker at the XX Peruvian Mining Engineers Convention held in Arequipa.

Walter Díaz Meyzan, Manager of the Comprehensive Management and Social Responsibility System since 2018. He graduated as an industrial in 1993 from Universidad de Lima. He pursued post graduate studies, holds an MBA by Universidad del Pacifico and an Executive Master's degree in Comprehensive Quality, Environment and Labor Risk Management by Escuela de Negocios de Madrid (EOI). He has 28 years of experience. From 2005 to 2010 he worked for Glencore – Xstrata, Swiss company engaged in mineral trading, with sales for USD 120 billion, annually. In Peru, this company trades copper, lead, zinc, and silver; he held the following positions: Deputy Operations Manager (2005–2007) Quality, Safety and Security and Environmental Comprehensive Management System Corporate Coordinator (2007–2010), from 2010 to 2017 he was Quality Management Manager (Safety and Security and Environment) at Corporacion Aceros Arequipa.

José Antonio Elejalde Noya, Management, Finances and Trade Manager. Economist graduated from Universidad de Lima. He holds an MBA from Incae Business School and Universidad Adolfo Ibañez. He has participated in several Specialization Programs at Universidad de Piura, ESAN, Chicago

University, Harvard University, Kellogg University, INCAE and AOTS (Japan). He holds a Comprehensive Ontological Coach certificate. Since July 2003, he works as Management, Finance and Trade Manager at Compañía Minera Poderosa and General Manager at Compañía Aurífera Suyubamba S.A., related to Poderosa until August 2011. He worked as Sales and Marketing Manager for Volvo Finance Peru S.A., a company of the Volvo Group which he worked with for 11 years.

Helena Zuazo Arnao, She has participated in several specialized mining, environmental and business law programs at ESAN, Universidad Peruana de Ciencias Aplicadas and Pontificia Universidad Católica del Perú. She worked for 8 years as Chief of the Legal Area of Sociedad Minera Austria Duvaz S.A.C., and since April 2015 she acts as Institutional Chief of the Legal Department of Poderosa.

Iván Asmat Salazar, Public Accountant, graduated from Universidad Nacional de Trujillo, with 21 years of experience in the mining industry. He pursued post graduate studies at ESAN in the High Specialization Program in International Financial Reporting Standards, Financial Accountability Management, and Advanced Accountability Management. All the same, he pursued studies at Peruvian National Mining, Oil and Energy Association– SNMPE with specialization in Taxation and International Financial Reporting Standards, and Leadership Management studies at Universidad INCAE, Costa Rica. He also holds a master's degree in Auditing by Universidad del Pacífico.

Fausto Cueva Castillo, Geology and Explorations Manager at Compañía Minera Poderosa S.A. He graduated as Geology Engineer from Universidad Nacional de Ingeniería, in 1987 and holds registry number 34903 in the Peruvian Engineer Association. He has worked for 36 years as Explorations

Geologist, for Compañía Minera Pativilca during copper explorations in the Mala district in Lima. He also worked as a High School teacher in Colegio La Inmaculada Concepción Pataz district, where he was born. Before joining Poderosa, he carried out geology surveys in Suyubamba as an independent geologist. He has worked for Compañía Minera Poderosa for 33 years, since 1985, when he joined the Universidad Heidelberg PHD student team to carry out the Pataz Batholite Metalogenetic Study. In 1986 he started working as Section Geologist in Papagayo. In 1987 he is awarded the Geologist Engineer degree with the thesis titled "Economic Geology of the Pataz District". In 1991 he is appointed as Geology Superintendent in Poderosa. In 1989 he carried out a guided visit to several Industrial plants and mines in Sudbury, Canada, and in the same year he attended the World Gold Congress in Reno, after which he visited two of Newmont's gold mines in Nevada – U.S.A. In 1996 he participates in a guided visit organized by SONAMINPET to several mines and projects in the Nevada belt, U.S.A. In 2002, through an agreement with the School of Geology, University of Quebec, in Chicoutimi, he takes part in a guided tour to 9 gold mines in the Abitibi belt, in Val d'Or, Canada, he also visited the Tech Cominco POGO gold project in Alaska – U.S.A. In 2004 he takes part on a guided tour to 4 gold mines in Harmony, South Africa. In 2006 he studied a course in Total Quality Management in Yokohama – Japan, called Latin American Quality Management. In 2009 he takes part in the assessment team to observe the application of an Ore Sorter in Poderosa, which took place in Hamburg, Germany. He has participated in several courses and important mine related events as an assistant and a speaker.

APPENDIX 3

PERMITS, APPROVALS AND AUTHORIZATIONS

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Marañón	Beneficiation concession	"Marañón" beneficiation concession deed, installed on 6 ha, Marañón plant	R.D. N° 313-90-EM-DGM/DCM	05/09/1990
		Authorization for the expansion of the "Marañón" beneficiation concession 269.09 ha and operation of the "Livas" filtered tailings deposit"	R.D. N° 1315-2015-MEM-DGM	08/17/2015
	Marañón beneficiation plant	Authorization for the operation of the "Marañón" beneficiation plant to 700 MTD capacity	R. N° 028-2011-MEM-DGM-V	01/24/2011
		Construction permit for the chemical refinery to implement the recovery process technological improvement	R. N° 399-2013-MEM-DGM-V	10/17/2013
		Construction permit for the expansion of Marañón Plant treatment capacity from 700 DMTD to 800 DMTD	R.D. N° 0851-2016-MEM-DGM	12/31/2016
		Communication about sifter replacement in the grinding process, Marañón Plant	R. N°1118-2017-MEM-DGM/V	11/29/2017
		Communication about equipment replacement due to Technological Enhancement of the Smelting Process in the Marañón Beneficiation Plant to 800 TDM	R 0065-2018-MEM-DGM-V	02/01/2018
		Communication about equipment replacement due to Technological Enhancement of the Milling process (replacement of the 8x10' for a 9.5x12' mill and the 6x6' mill for an 8x10' mill) Marañón Beneficiation Plant to 800 TDM	R 0605-2018-MEM-DGM/V	07/11/2018
	Tailings ponds	Operation authorization for the Marañón plant tailings pond N°6 up to level 1,270 m.a.s.l.	A.D. N° 224-2003-MEM-DGM/PDM	11/07/2003
		Operation authorization for the Asnapampa tailings pond up to a 1200 m.a.s.l. maximum level	R.D. N° 993-2009-MEM-DGM-V	12/21/2009
		Technical Mining Report ITM for the construction and operation of the Asnapampa expansion from level 1200 to 1204 m.a.s.l.	R. N° 0403-2015-MEM-DGM/V	09/10/2015
		Operation authorization for the Quebrada Livias filtered tailings pond, level 1504 m.a.s.l. 1st Stage	R. N°0360-2015-MEM-DGM/V	08/17/2015
		Operation authorization for the Quebrada Livias filtered tailings pond, level 1504 m.a.s.l. 2nd Stage	R. N° 0008-2017-MEM-DGM/V	01/10/2017
		Operation authorization for the Livias tailings pond – Sulphur tailings pond	R 0170-2018-MEM-DGM-V	02/22/2018

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE	
Marañon	Dumpsters	Authorization for "Estrella 2" and "Estrella 3" waste dumps construction.	R.D. N° 0086-2015-MEM-DGM	03/30/2015	
		Operation authorization for "Estrella 2" dumpster.	R. N° 0359-2016-MEM-DGM/V	06/30/2016	
		Operation authorization for "Estrella 3" dumpster.	R. N° 1043-2017-MEM-DGM/V	08/12/2017	
	Water use	License for 10 l/s water use from the Chorro Blanco and el Oso gorge for the Marañon Plant, camp sites and Vijus village.	R.A. N° 319-2009-ANA-ALA	09/17/2009	
		400-liter water use license from the El Tingo gorge, to generate energy for mining and metallurgic purposes.	R.D. N° 0062-91-AG.DGAS	08/5/1991	
		Surface water use license from Lavasen river for mining purposes.	R.D. N° 1451-2014-ANA-AAA.M	12/31/2014	
	Residual water reuse and discharge	Authorization for reuse of the water from the compact residual domestic water plant at Paraiso II	R.D. N° 093-2016-ANA-AAA.M	01/25/2016	
		Authorization for the disposal of industrial residual water treated at Estrella mineshaft NV 1467. Marañon tailings pond and Vijus residual domestic water treatment plant. "G" Marañon tailings pond "E" and Vijus domestic residual water treatment plant	R.D. N° 160-2016-ANA-DGCRH	07/12/2016	
		Reuse of residual water from the Vijus domestic residual water treatment plan for irrigation	R.D. N° 1791-2017-ANA-AAA-M	08/17/2017	
		Sanitary Authorization for a septic tank and infiltration in the Papagayo field – septic tank	RD 1722-2017-DCEA-DIGESA-SA	06/27/2017	
		Sanitary Authorization for a septic tank and infiltration in the loading chamber field	RD 0752-2017-DCEA-DIGESA-SA	05/2/2017	
		Sanitary Authorization for a septic tank and infiltration in the LPC field	RD 0828-2017-DCEA-DIGESA-SA	05/4/2017	
		File to authorize the reuse of the Vijus compact domestic residual water treatment plant effluents	RD 1791-2017-ANA-AAA.M	08/7/2017	
		Sanitary Authorization for a septic tank and infiltration in the Trocha field – septic well	RD 1725-2017-DCEA-DIGESA-SA	06/27/2017	
		Energy generation	Authorization for 6.915 Mw electric power generation activities at A. Samaniego Alcantara thermal power station.	R.G. N° 0108-2012-GR/GEMH-LL	08/17/2012
			Authorization for 1.05 Mw electric power generation activities at Santa Maria thermal power station.	R.M. N° 034-94-EM/DGE	06/20/1994
	Authorization for electric power generation at El Tingo.		R.M. 099-94-EM/DGE	08/6/1994	

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Marañon	Power transmission Marañon	EIA of the 60 kv S.E. Santa Monica (Cajabamba)- S.E. Morena (Pataz) power transmission line.	R.D. N° 208-2004-MEM/AAE	11/28/2004
		Final concession for the 60 kv Cajabamba - Morena power transmission line.	R.S. N° 042-2005-EM	07/14/2005
	Direct LPG Consumer and liquid fuel	Registry of Poderosa Mining Unit as a consumer of liquid fuels.	Registro N° 1064363	03/31/1998
		Authorization for the bulk LPG facility for direct consumer at Paraiso II camp site.	R.G. N° 13171-2014-OS/OMR III	10/4/2014
		Operation Authorization for the bulk LPG facility for direct consumer at Vijus camp site.	R.G. N° 13168-2014-OS/OMR III	10/4/2014
		Operation Authorization for the bulk LPG facility for direct consumer at Paraiso I camp site.	R.G. N° 13166-2014-OS/OMR III	10/4/2014
	Explosives	Authorization for ANFO use at Marañon Production Unit.	Auto Directorial N°386-2016-MEM-DGM-DTM	06/14/2016
		Authorization for ANFO use at La Poderosa, Trujillo	R.D. N° 0200-2016-MEM-DGM	08/1/2016
		Authorization for a storage facility for blasting accessories at Piñuto.	R.D. N° 1185-2014-SUCAMEC-GEPP	04/25/2014
		Authorization for a storage facility for blasting accessories at Piñuto.	R.D. N° 1568-2015-SUCAMEC-GEPP	07/21/2015
		Authorization for a storage facility for blasting accessories at Papagayo.	R.D. N° 1566-2015-SUCAMEC-GEPP	07/21/2015
		COM 2019 UEA La Poderosa, Trujillo	COM 106-2018-C	12/10/2018
		Authorization for a storage and use of explosives and related materials 2018 UEA La Poderosa, Trujillo	R.G. N°00140-2018-SUCAMEC/GEPP	01/11/2018
	Environmental instruments	Approval of the Environmental Adjustment and Management Program (PAMA) execution for the Marañon Production Unit.	R.D. N° 028-2003-EM/DGM	01/27/2003
		Approval of the EIA for Asnapampa I tailings deposits project.	R.D. N° 022-2006-MEM/AAM	01/20/2006
		Approval for the disposal of filtered tailings in the Asnapampa Tailings Dam - ITS	R.D. N° 148-2014-MEM-DGAAM	03/26/2014
		Approval of the EIA for the Expansion of the Mining Operations and Beneficiation Plant to 800 MTD	R.D. N° 450-2014-MEM-AAM	09/1/2014
		Approval of the Expansion of the Asnapampa Tailings Dam at 1204 m.a.s.l. - ITS Marañon to 800 MTD.	R.D. N° 236-2014-MEM-DGAAM	12/31/2014

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Marañón	Instrumentos ambientales	ITS approval for the drying ponds of tailings pond N 6, PTARD Vijus and other components.	R.D. N° 461-2015-MEM-DGAAM	11/26/2015
		Environmental Impact Statement LT 25 KV S.E LPC (Morena) to C.T. A. Samaniego A.	R.G.R. N° 085-2017-GRLL-GGR/GREMH	09/17/2017
		Soil EQS Marañón Production Unit.	RD 294-2017-MEM-DGAAM	10/12/2017
		Terms of Reference and Preliminary Assessment for the EIA modification for the expansion of the mining operations and concession of Marañón beneficiation to 800 tmsd.	RD N 113-2017-SENACE/DCA	05/8/2017
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan Schedule and Budget update.	RD N 102-2018-MEM-DGAAM	05/17/2018
	Use of gorge water sides	Authorization for infrastructure construction on water source La Brava gorge, Transportation of waste rock from dumpster 2080 to Estrella 2 dumpster.	R.D. N°2786-2017-ANA.AAA.M	12/6/2017
		Authorization for infrastructure construction on water source. El Tingo. Transportation of waste rock from Karola dumpster to Estrella 2 dumpster.	R.D. N°2785-2017-ANA.AAA.M	12/5/2017
	SERFOR and PRODUCE Permits	Authorization for research of flora, fauna and hydro biologic species MEIA Marañón.	RD 835.2017-PRODUCE-DGPCHDI	12/20/2017
		Authorization for research of flora, fauna and hydro biologic species at Las Defensas Exploration Project.	RD N°836-2017-PRODUCE-DGPCHDI	12/29/2017
		Authorization for hydro biologic species research at Las Defensas Exploration Project.	RD 835.2017-PRODUCE-DGPCHDI	12/27/2017
Santa Maria	Benefit concession	Approval of the concession title for the expansion of the Santa Maria I benefit concession to 21.60 ha.	R.D. N° 171-2010-MEM/DGM	09/8/2010
		Expansion of the Santa Maria I benefit concession to 399.39 ha and operation authorization for Hualanca – Stage I tailings deposit.	R.D. N° 260-2016-MEM-DGM	09/26/2016
	Santa Maria I beneficiation plant	Operations Authorization for the Santa Maria I Beneficiation Plant to 600 TMD. Stage II.	R. N° 0370-2016-MEM-DGM-V	07/5/2016
		Installation of additional equipment in the crushing, grinding and liquid separation circuits at Santa Maria Plant.	R. N°0178-2015-MEM-DGM/V	05/8/2015
		Communication of Press Filter installation in the tailings filtering circuit at Santa Maria Plant.	R. N°0428-2017-MEM-DGM/V	05/15/2017
		Communication of replacement of the secondary crusher due to obsolescence and efficiency	Informe 214-20178-MEM-DGM-DTM-PB	07/18/2018

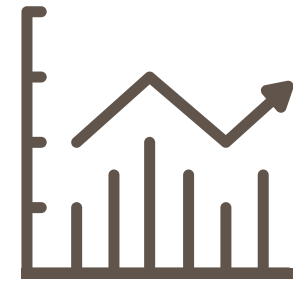
PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Santa Maria	Planta de beneficio Santa Maria I	Authorization for the construction of the Santa Maria I beneficiation plant to 1000 TMD. 2 Stages (800 and 1000)	R N 0542-2018-MEM-DGM/V	06/15/2018
	Dumpsters	Authorization for the operation of the expansion of the "Santa Maria I" tailings pond at 2,464.5 m.a.s.l.	R.D. N°1071-2009-MEM-DGM/V	12/30/2009
		Authorization for the construction of the Santa Maria 2 tailings pond up to a maximum level of 2412 m.a.s.l.	R. N° 0140-2015-MEM-DGM-V	04/13/2015
		Technical Mining Report (ITM) for the construction and operation of the filtered tailings plant and disposal of tailings in Santa Maria 2 tailings pond at 2415 m.a.s.l.	R.D. N° 0319-2015-EM-DGM/V	07/27/2015
		Approval for the construction of filtered tailings pond in Hualanga to a maximum level of 1490 m.a.s.l.	R.D. N° 0120-2015-MEM-DGM-V	04/6/2015
		Authorization for the operation of the filtered tailings pond in Hualanga to a maximum level of 1360 m.a.s.l.	R. N°0582-2016-MEM-DGM/V	11/26/2016
		Operation Authorization of the Santa Maria 2 tailings pond. Stage II. Phase 3. 2412 – Modification of the Operation Manual	Informe 349-2018-MEM-DGM-DTM-PB	12/18/2018
	Water use	Administrative Authorization for 7 l/sec water use for domestic purposes from Frances gorge.	R.A. N° 187-96-DRA-LL-AASC/ATDRH	12/19/1996
		1.20 l/s superficial water use permit for mining purposes from Marleny.	R.D. N°352-2014-ANA-AAA.M 9-04-2014	04/09/2014
		Water use license from Virginia for mining purposes.	R.D. N° 1169-2016-ANA-AAA.M	09/6/2016
		Water use license from Santa Maria gorge for mining purposes.	R.D. N° 1172-2016-ANA-AAA.M	09/6/2016
		Water use license from Puquiopata gorge for mining purposes.	R.D. N° 1192-2016-ANA-AAA.M	09/6/2016
	Residual water reuse and discharge	Authorization for Industrial Residual Water disposal, Consuelo, Atahualpa and Santa Maria mines.	D.R. N° 281-2016-ANA-DGCRH	11/24/2016
		Authorization for NV 2120 effluent disposal .	RD N 134-2018-ANA-DCERH	08/23/2018
		Authorization for reuse of domestic residual water for irrigation from the Santa Maria Residual Water Treatment Plant.	RD N°1809-2017-ANA-AAA.M	08/28/2017

PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Santa Maria	Direct LPG consumer	Authorization for the bulk LPG facility for direct consumer at Cedro camp site.	R.G. N° 13167-2014-OS/OMR III	10/4/2014
		Authorization for the bulk LPG facility for direct consumer at Santa Maria camp site.	R.G. N° 13169-2014-OS/OMR III	10/4/2014
	Explosive	Authorization for an ANFO explosive – accessories - Santa Maria.	R.D. N° 119-2016-MEM-DGM	06/13/2016
		COM 2019 UEA Libertad	COM 104-2018-C	12/10/2018
		Authorization for purchase and use of explosives and related materials 2018 UEA Libertad.	R.G. N° 00077-2018-SUCAMEC/GEPP	01/8/2018
	Landfill	Technical mining report for the modification of the Santa Maria I beneficiation concession to 33.03 Ha and construction and operation permit for the domestic and industrial landfill at El Cedro.	R.D. N° 1781-2015-MEM/DGM	09/30/2015
		EIA Modification for mining activities and expansion of the Santa Maria I beneficiation plant to 1000 TMD. Filtering and other Components.	RD 011-2017-SENACE-JEF-DEAR	11/28/2017
	Environmental instruments	Detailed Technical Memoir of the Santa María 2410, 2520, 2670 Camps. (Order 2504589 dated 06-09-2015).	RD 278-2017-MEM-DGAM	10/3/2017
		Fourth Modification of the Poderosa Mining Unit Mine Closure Plan Schedule and Budget update.	RD N 102-2018-MEM-DGAAM	05/17/2018
		EIA Palca Explorations Project.	R.D. N° 0035-2016-MEM-DGAAM	01/29/2016
Palca	10 l/s water use license for non-agricultural use from the El Carrizal gorge, for non-mining activities at Suyubamba.	R.A. N° 007-01-DRA-LL-AASC/ATDRH	01/12/2001	
	Water use license from Carrizal gorge and Laguna Negra with mining purposes for Palca Project.	RD N 1165-2018-ANA-AAA-M	09/3/2018	
	Authorization of the Start of the Explorations Operations.	R.D. N 167-2017-MEM-DGM	02/7/2017	
	CIRA 2016-073-DDC-CIB/MC	CIRA SUYUBAMBA-PALCA	04/7/2016	
	CIRA 2016-073-DDC-LIB/MC	CIRA LT 22 KV PAMPARACRA-SUYUBAMBA	10/25/2016	

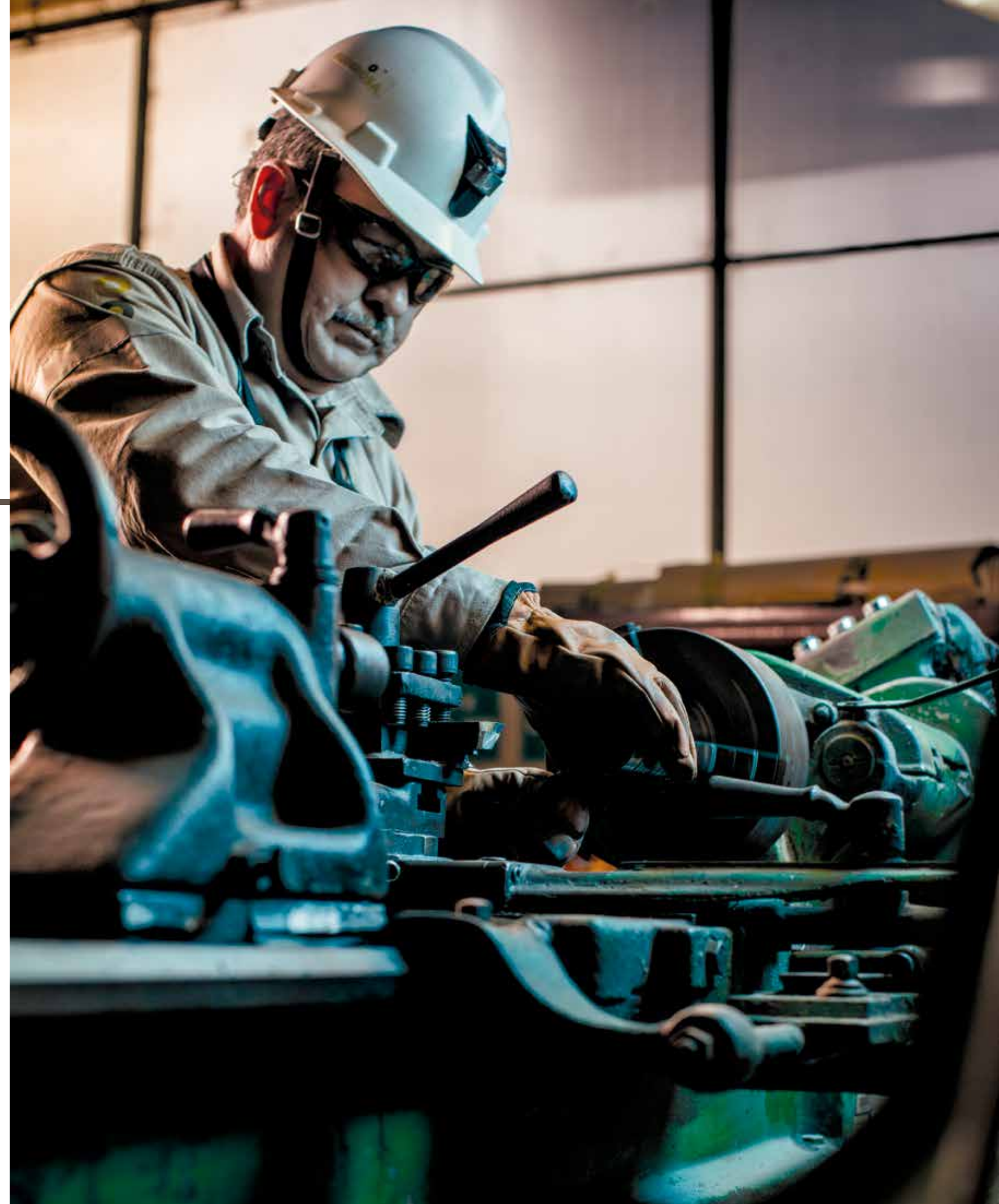
PRODUCTION UNIT	COMPONENTS	AUTHORIZATION/ PERMIT	RESOLUTION NUMBER	DATE
Montañitas		0.10 l/s water use authorization - Montañitas Project.	RD 784-2017-ANA-AAA-Huallaga	11/2/2017
		Authorization to start exploration activities at Montañitas project.	R.D. N° 1782-2015-MEM/DGM	10/5/2015
Misquichilca		DIA approval for Misquichilca exploration activities.	R. N° 278-2012-MEM_AAM	09/3/2012
		Authorization for start of exploration at Misquichilca.	R.D. N° 107-2013-MEM-DGM	04/22/2013
Lavasen energy		Studies for electric power generation in Quishuar, Lavasen, Nimpana, Cativen and Piñuto cascades.	R.M. N° 144-2008-MEM_DM	03/14/2008
		Hydro energy use of the Lavasen and Quishuar for Cativen I and Cativen II hydroelectric power stations.	R.D. N° 188-2011-MEM_AAM	06/20/2011
		Hydrologic and water use study for non-mining purposes from Lavasen Paraiso basins.	R.D. N° 0250-2011-ANA-AAA VI MARAÑÓN	10/26/2011
		Hydrologic study as part of the water use from Lavasen and Quishuar basins.	R.D. N° 0316-2010-ANA-DARH	10/1/2010
Airdrome		Final concession for energy generation.	R.S. N° 109-2012-EM	11/13/2012
		Chagual – La Libertad Airdrome operation authorization.	R.D. N° 197-2015-MTC-12	05/15/2015



CHAPTER 7



financial statement





KPMG en Perú
Torre KPMG, Av. Javier Prado Este 444, Piso 27
San Isidro, Lima 27, Perú

Teléfono 51 (1) 611 3000
Internet www.kpmg.com/pe

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Directors Compañía Minera Poderosa S.A.

We have audited the accompanying separate financial statements of Compañía Minera Poderosa S.A., which comprise the separate statement of financial position as of December 31, 2018 and 2017, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and accompanying notes to the separate financial statements (except for the note 34, which have not been audited) comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audits in accordance with International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Association of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to have reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Caipo y Asociados S. Civil de R.L., sociedad civil peruana de responsabilidad limitada y firma miembro de la red de firmas miembro independientes de KPMG afiliadas a KPMG International Cooperative ("KPMG International"), una entidad suiza.

Inscrita en la partida N° 21081795 del Registro de Personas Jurídicas de Lima.



Opinion

In our opinion, the separate financial statements referred to above, prepared for purposes detailed in paragraph below, present fairly, in all material respects, the non-consolidated financial position of Compañía Minera Poderosa S.A. as of December 31, 2018 and 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards issued by International Accounting Standards Board.

Emphasis of Matter

We emphasize the fact that the accompanying financial statements of Compañía Minera Poderosa S.A. translated into U.S. dollars, presentation currency different from the functional currency, in accordance with IAS 21 – The effects of changes in foreign exchange rates, should be read in conjunction with the separate financial statements in Soles (Company's functional currency) that are presented separately and on which we expressed an unqualified opinion.

We emphasize the accompanying separate financial statements of Compañía Minera Poderosa S.A. show the investment value at cost in its subsidiary at historical cost basis and not on a consolidated basis because they should be read in conjunction with the consolidated financial statements of Compañía Minera Poderosa S.A. and Subsidiary, prepared and presented in functional currency (Soles) which are presented separately and on which, we expressed an unqualified opinion.

Lima, Peru

January 31, 2019

Countersigned by:

Juan Carlos Mejía (Partner)
Peruvian Certified Public Accountant
Registration number 01-25635

Caipo y Asociados

Compañía Minera Poderosa S.A.
Separate Statement of Financial Position
As of December 31, 2018 and 2017

In thousands of US\$		2018	2017
Assets			
Current assets			
Cash and cash equivalents	6	30,087	18,080
Trade accounts receivable	7	1,903	1,957
Other accounts receivable	8	10,834	10,994
Inventories	9	11,118	11,248
Prepaid expenses	10	2,910	1,969
Total current assets		56,852	44,248
Non-current assets			
Investments in associates		871	1
Prepaid expenses	10	3,555	3,701
Property, plant and equipment	11	157,901	143,286
Intangible assets	12	130,321	112,137
Total non-current assets		292,648	259,125
Total assets		349,500	303,373
Liabilities			
Current liabilities			
Trade accounts payable	13	20,230	18,845
Other accounts payable	14	30,828	25,888
Other financial liabilities	15	26,764	32,160
Current portion of provision for environmental remediation	16	937	1,236
Total current liabilities		78,759	78,127
Non-current liabilities			
Other accounts payable	14	1,382	1,709
Other financial liabilities	15	19,765	7,322
Provision for environmental remediation	16	8,161	8,746
Deferred tax liability	18	9,883	7,933
Total non-current liabilities		39,191	25,710
Total liabilities		117,950	103,837
Equity			
Issued capital	19	63,924	46,225
Other capital reserves	20	12,785	9,245
Retained earnings	21	154,841	144,066
Total equity		231,550	199,536
Total liabilities and equity		349,500	303,373

The accompanying notes on pages 5 to 61 are an integral part of these separate financial statements.

Compañía Minera Poderosa S.A.
Separate Statement of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2018 and 2017

In thousands of US\$		2018	2017
Revenue	24	352,824	315,761
Cost of sales	25	(218,379)	(201,507)
Gross profit		134,445	114,254
Operating income (expenses)			
Selling expenses	26	(968)	(876)
Administrative expenses	27	(28,839)	(24,371)
Other operating income		987	910
Other operative expenses		(119)	(187)
		(28,939)	(24,524)
Profit from operating activities		105,506	89,730
Finance income (costs)			
Finance income	29	2,409	324
Finance costs	29	(1,883)	(1,743)
		526	(1,419)
Profit before tax		106,032	88,311
Income tax expenses	23	(33,344)	(29,340)
Net profit for the year		72,688	58,971
Other comprehensive income		(11,375)	9,053
Total comprehensive income		61,313	68,024
Basic earnings per ordinary share (in dollar)	30	0.337	0.393

The accompanying notes on pages 5 to 61 are an integral part of these separate financial statements.

Compañía Minera Poderosa S.A.
Separate Statement of Changes in Equity
For the years ended December 31, 2018 and 2017

In thousands of US\$	Number of ordinary shares	Capital issued (note 19)	Other legal reserves (note 20)	Retained earnings (note 21)	Total equity
Balance as of January 1, 2017	150,000,000	44,643	8,929	105,213	158,785
Net profit for the year	-	-	-	58,971	58,971
Total comprehensive income for the year	-	-	-	58,971	58,971
Dividend distribution	-	-	-	(27,273)	(27,273)
Total transactions with stockholders	-	-	-	(27,273)	(27,273)
Other comprehensive income	-	1,582	316	7,155	9,053
Balance as of December 31, 2017	150,000,000	46,225	9,245	144,066	199,536
Balance as of January 1, 2018	150,000,000	46,225	9,245	144,066	199,536
Net profit for the year	-	-	-	72,688	72,688
Total comprehensive income for the year	-	-	-	72,688	72,688
Distribution of dividends	-	-	-	(29,299)	(29,299)
Issuance of treasury shares	66,000,000	19,532	-	(19,532)	-
Transfer to legal reserve	-	-	3,906	(3,906)	-
Total transactions with stockholders	66,000,000	19,532	3,906	(52,737)	(29,299)
Other comprehensive income	-	(1,833)	(366)	(9,176)	(11,375)
Balance as of December 31, 2018	216,000,000	63,924	12,785	154,841	231,550

The accompanying notes on pages 5 to 61 are an integral part of these separate financial statements.

Compañía Minera Poderosa S.A.
Separate Statement of Cash Flows
For the years ended December 31, 2018 and 2017

In thousands of US\$	2018	2017
Cash flows from operating activities		
Net profit for the year	72,688	58,971
Debit (credit) to the profit or loss which do not represent cash flow		
Depreciation	9,093	8,305
Amortization	43,305	39,327
Estimated of doubtful accounts	721	-
Provision for litigation	520	204
Deferred tax	2,264	1,526
Accretion of provision for mine closure	314	733
Loss on sale of property, plant and equipment	119	245
Income tax	31,079	27,383
Exchange difference	(583)	47
Net finance costs	1,535	1,419
Debit and credit for net changes in assets and liabilities		
Increase in trade accounts receivable	54	(767)
Increase in other accounts receivable	160	(2,099)
Increase in inventories	130	(3,698)
Increase in prepaid expenses	(794)	(593)
Increase in trade accounts payable	1,386	5,875
Increase in other accounts payable	5,097	6,191
Payment of obligations for mining unit closure	(791)	(957)
Cash from operating activities	166,297	142,112
Interest paid	(1,517)	(1,275)
Income tax paid	(31,775)	(25,416)
Net cash from operating activities	133,005	115,421
Cash flows from investing activities		
Collection from sale of property, plant and equipment	48	41
Payments for share purchase	(900)	-
Acquisition of intangible assets	(66,255)	(56,241)
Acquisition of property, plant, and equipment	(26,114)	(30,606)
Net cash used in investing activities	(93,221)	(86,806)
Cash flows from financing activities		
Bank loans received	23,500	14,000
Payment of short-term bank loans	(12,161)	(3,200)
Payment of long-term bank loans	(4,812)	(5,750)
Payment of finance lease	(4,099)	(3,202)
Dividends paid	(30,788)	(26,188)
Net cash from used in financing activities	(28,360)	(24,340)
Net increase in cash and cash equivalents	11,424	4,275
Cash and cash equivalents at beginning of year	18,080	13,852
Effect of movements in exchange rates on cash held	583	(47)
Cash and cash equivalents at the end of year	30,087	18,080
Transactions that do not represent cash flows		
Increase in cost for mining unit closure	(265)	914
Increase in obligation for mining unit closure	265	(914)
Increase in property, plant and equipment for finance lease	3,016	2,812

The accompanying notes on pages 5 to 61 are an integral part of these separate financial statements.

1. Background and Economic Activity

A. Background

Compañía Minera Poderosa S.A. (hereinafter the Company) was incorporated on May 5, 1980. The Company's registered office is at Av. Primavera 834, Santiago de Surco, Lima, Peru.

The Company's ordinary shares are listed in the Lima Stock Exchange; therefore, it shall comply with the specific requirements of the Peruvian Companies and Securities Regulator (SMV, for its Spanish acronym).

B. Economic activity

The Company is engaged in the exploitation, extraction, precipitation and casting of gold to produce gold bullion. Mining and metallurgic activities are carried out in the Poderosa Mining Unit located in the district of Pataz, department of La Libertad, Peru.

The Company has entered into a sale agreement of gold bullion with Scotia Mocatta New York, which is the branch of Scotiabank Canada that commercializes precious metals. This agreement establishes basically sales conditions, payment terms, responsibilities and obligations of each party, among others. This agreement has no maturity date.

C. Approval of the separate financial statements

On January 30, 2019, management authorized the issuance of the separate financial statements as of December 31, 2018, which will be presented to Board of Directors for issuance approval. Then, they will be submitted for final approval of the General Stockholder's Meeting to be held within the terms established by Law. In management's opinion, the Board of Directors and General Stockholders' Meeting will approve the accompanying separate financial statements without amendments. The General Stockholders' Meeting, held on March 14, 2018, approved the separate financial statements as of December 31, 2017.

2. Basis for the Preparation of Separate Financial Statements

A. Statement of compliance

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter 'IFRSs') issued by the International Accounting Standards Board (hereinafter 'IASB'), effective since December 31, 2018.

The separate financial statements as of December 31, 2018 are the Company's first financial statements under the IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. Note 4 includes information regarding the Company's adoption of these IFRS for the first time.

B. Information responsibility

The information contained in these separate financial statements is the responsibility of the Company's Board of Directors that expressly states that all the principles and criteria included in the IFRS, issued by the IASB have been applied.

C. Basis of measurement

These separate financial statements have been prepared on the basis of the historical cost, from the accounting records held by the Company, excluding derivative financial instruments that have been measured at fair value.

D. Functional and presentation currency

The items included in the separate financial statements are measured in the currency of the primary economic environment in which the Company operates which is soles (S/). These separate financial statements are presented in U.S. dollars (US\$), which is the Company's functional currency. All information is submitted in thousands of dollars. All amounts have been rounded to the nearest unit, unless otherwise indicated.

E. Changes in accounting policies

The Company has consistently applied accounting policies stated in this note to all periods presented in these separate financial statements.

The Company has adopted new standards and amendments to existing standards with initial application date on January 1, 2018 which did not have a significant impact on the Company's separate financial statements.

F. Use of estimates and judgments

In preparing the separate financial statements in accordance with IFRS, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgments

Information about judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is as follows:

- Revenue recognition: identification of performance obligations and determination of recognition of income over the time or in a specific period (note 3.Q).
- Leases: determining whether and arrangement contains a lease and its classification (note 3.I).

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as of December 31, 2018, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is described as follows:

i. Useful life and recoverable value of property, plant and equipment

Depreciation is calculated using the straight-line method based on the lower of the following estimated useful life of the asset which is compared to the remaining useful life of the mining unit.

Proven and probable reserves are used when depreciation and amortization of specific mining assets are determined. This results in charges for depreciation and/or amortization proportional to the deterioration of the anticipated remaining life of mine production. The economic useful life of assets is assessed based on the asset's physical limitations, estimates and assumptions on the total estimated reserves and capital expenditures which will be required in the future.

The recoverable amount is determined according to the estimated amount that the Company would obtain from the sale of the item at the end of its economic useful life. This recoverable amount is estimated at the end of the reporting period.

Compañía Minera Poderosa S.A.
Notes to the Separate Financial Statements
December 31, 2018 and 2017

ii. Determination of reserves and mineral resources

The reserves represent the estimate of proven and probable mineral resources which in current conditions may be economically processed based on established parameters.

The process of estimation of mineral reserves is complex and requires the assessment of information available on geology, geophysics, engineering and economic which are highly subjective. Accordingly, the estimates of the reserves may be reviewed and adjusted for different reasons, such as, changes in data or geological assumptions, changes in estimated prices, changes in production costs and in results of exploration activities. The estimation of reserves is carried out on an annual basis with the support of internal specialists and, every two years, external specialists.

Changes in the estimate of reserves directly and mainly affect the calculation of the depreciation of property, plant and equipment related to the mining activity, the calculation of the provision for mine closure and the calculation of the amortization of exploration and development costs.

Conversion of mineral resources in ore reserves

Considering the concept of Joint Ore Reserves Committee Code (JORC) (determines minimum standards to report exploration results, mineral resources and ore reserves in Australasia), which is a technical procedure to determine probable and proven reserves. It should be noted that an "Ore Reserve" is economically mineable part of a measured or indicated mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriated assessments, which may include feasibility studies, have been made and include considerations of changes due to realistically assumed mining, metallurgical, economical, market, legal, environmental, social and governmental factors. These assessments demonstrate that, at the reporting date, extraction could be reasonably justified.

Ore reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proven Ore Reserves.

Given the Company's level of reserves and its production, the average useful life of the mine is expected to be 3 years, which shows the type of ore deposit it has. A linear increase in investments on geology does not necessarily involve a linear increase in reserves.

iii. Provision for remediation and mining unit closure

The Company calculates a provision for mine closure on an annual basis. In order to determine such provision, significant estimates and assumptions are made as there are several factors affecting the final liability for this obligation. Factors include estimates of scope and costs of closure activities, technological changes, changes in regulations, costs increase compared to inflation rates and changes in discount rates.

Estimates and/or assumptions may turn into actual expenses in the future differing from amounts recorded when provision was determined. The provision as of reporting date represents the best estimate of Company's management of the present value of future costs related to mining units closure.

The Company records a provision for its mining unit closure which represents its legal obligation to restore the environment at the end of operations. When an entity first recognizes the liability that arises from this obligation, which is presented as discounted at fair value, the same amount is charged to property, plant and equipment in the statement of financial position.

Subsequently, the liability is adjusted at each period to reflect the financial cost considered at initial measurement. In addition, the capitalized cost is depreciated over the basis of the useful life of the related asset. The Company will recognize any resulting gain or loss upon settlement of the liability. Changes in total obligation amount or useful life of related assets arising from initial estimates review, are shown as increase or decrease in the carrying amount of the related obligation and asset.

Compañía Minera Poderosa S.A.
Notes to the Separate Financial Statements
December 31, 2018 and 2017

iv. Estimate of impairment of accounts receivable

The amount of the estimate of impairment of trade accounts receivable is determined when there is objective evidence that the Company will not collect all the amounts overdue according to terms originally established of the selling operation. The estimate of expected credit losses of trade debtors and contract assets is carried out applying key assumptions to determine the weighted-average rate (note 3.N and 5.D Credit risk).

v. Taxes

The determination of the provision for income tax requires the exercise of judgment. There are several transactions and calculations thus the final result of tax is uncertain. The Company recognizes a liability for the observations arising from the tax reviews based on estimates of whether additional tax payments would be required. When the final result of such reviews is known and it differs from preliminary estimates, the adjustments impact on the current and deferred tax balance in the period when the result of the final review is known.

The calculation of current income tax determined by the Company results from the application of the current tax regulations and does not include provisions estimated to generate differences from tax reviews in the future. In this sense, it is not necessary to make a sensitivity disclosure simulating a variance in the calculation, because if there is a difference, it would not be significant in relation to the profit or loss of the separate financial statements.

vi. Estimate of inventory impairment

The estimate if inventory impairment is determined based on the net realizable value established to inventory showing impairment evidence on an annual basis. Such estimate is debited to the profit or loss for the period in which occurred such reductions.

vii. Provision for administrative and labor processes

Due to its nature, contingencies only will be solved when one or more future events occur or not, on which the Company has no control. The determination of contingencies inherently involves the exercise of judgments and the use of assumptions over the results of future events.

viii. Fair value measurement

A certain number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Finance Manager. The valuation team regularly reviews significant unobservable input data and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, the team will assess the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which these valuations should be classified. Significant valuation issues are reported to the Board of Directors (note 5.G).

3. Significant Accounting Policies

Significant accounting policies applied to prepare the separate financial statements are detailed below. These principles and practices have been applied consistently to all years presented in these separate financial statements, unless otherwise indicated.

A. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits in banks and other short-term, highly liquid investments with original maturities of three months or less, with no significant risk of changes in its fair value.

B. Non-derivative financial instruments

A non-derivative financial instrument is any contract that gives rise to both a financial asset in one company and a financial liability, or equity instrument in another. In the case of the Company, financial instruments correspond to primary instruments such as accounts receivable and payable.

Non-derivative financial instruments are classified as asset, liability, or equity according to the substance of the contract.

Interest, dividends, gains and losses generated by a financial instrument classified as a liability are recorded as income or expenses in the separate statement of profit or loss and other comprehensive income. The payment to holders of financial instruments classified as equity is recorded directly in net equity. Financial instruments are offset when the Company has a legally enforceable right to set them off, and management intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial instruments shall be recognized in the separate financial statements at fair value. Fair value is the amount for which an asset could be exchanged or a liability be settled, between knowledgeable, willing parties in an arm's length transaction.

In the opinion of management, carrying amounts of the financial instruments as of December 31, 2018 and 2017, are substantially similar to their fair values due to their short periods of realization and/or expiration, or because they are subject to interest at fixed and variable rates similar to those in force in the market. The recognition and valuation criteria of those accounts are disclosed in the notes to the separate financial statements on accounting policies.

C. Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and loans and accounts receivable. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the date of initial recognition and reassesses this classification at each closing date.

Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if it is mainly acquired to be sold in the short-term or if it is so designated by management. Derivative financial instruments are also classified as marketable unless they are designated as hedges. Assets under this category are classified as current assets if they are held as marketable or they are expected to be realized within 12 months after the date of the separate statement of financial position. The Company has not had these financial assets as of December 31, 2018 and 2017.

Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides with money, goods or services directly to a debtor, with no intention to trading the account receivable.

They are included in current assets, excluding assets with maturity exceeding 12 months after the date of the separate statement of financial position. The latter are classified as non-current assets. Loans and accounts receivable are included in 'trade accounts receivable' and 'other accounts receivable' in the separate statement of financial position.

The Company assesses at each closing date of the reporting period whether there is objective evidence of impairment of a financial asset or group of financial assets.

D. Inventory

Inventory is measured at the lower of production cost or net realizable value. Cost is determined using the weighted average method; and cost of inventories in transit is determined using the specific cost method. Cost of finished goods and goods-in-process comprise cost of mineral extraction, direct labor force, direct costs and general expenses, and excludes finance cost and exchange difference. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An estimate of inventory impairment charged to cost of sales is recorded when those reductions occur for decreases in the carrying amount of inventory at the net realizable value. Current portion of inventory is determined based on the accounts that are expected to be recorded in the next twelve months.

The main items in 'inventory' are as follows:

Finished goods and goods-in-process

The balance of finished goods mainly comprises inventory of gold. Finished goods that result from the Company's production activities are measured at the average cost which includes costs incurred in the production process, including applicable refining costs.

The cost of finished goods and goods-in-process comprises the cost of services of contractors, use of materials and supplies, cost of direct labor force, other direct costs and general manufacturing expenses included in the cost of inventories based on the normal operating capacity of the plant. The normal operating capacity of the plant is included in the annual production budget. The cost of inventories excludes finance cost and exchange difference.

Materials, supplies and inventories in-transit

Materials and supplies are recognized at the lower of weighted-average method or replacement value. The cost of such items includes freights and applicable non-reimbursable taxes. Inventories in-transit are recorded at cost by using the specific identification method. The estimate of impairment of such items is based on the specific analysis carried out by management on its turnover. If the carrying amount of materials and supplies inventories exceeds the replacement value, the difference is charged to the profit or loss for the period when such situation was determined. Management considers that as of the date of the separate financial statements, an estimate additional to the one recognized in the separate financial statements to cover losses for obsolescence of such inventory is not required.

E. Investments in subsidiaries and associates

Subsidiaries are entities where the Company has the capacity to govern their operating and financial policies since it is the holder of more than half of voting shares.

Associates are those companies in which the Company holds between 20% and 50% or entities in which it exerts significant influence but not control.

Investments in subsidiaries and associates are indicated in the separate statement of financial position in compliance with the cost method.

F. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment of accumulated losses. The cost of an item of property, plant and equipment comprises its purchase price or construction cost, including expenditures directly attributable to the acquisition or manufacturing of these items. The purchase price or construction cost correspond to the total amount paid and the fair value of any other consideration delivered in the asset acquisition.

Subsequent costs attributable to the goods of fixed assets are included in the carrying amount or recognized as separate asset, as applicable, only when it is probable that future economic benefits associated to the asset will flow to the Company, and their cost can be reliably measured, otherwise are charged to costs of production or to expenses, as appropriate. Repair and maintenance expenses are charged to production costs or expenses, as appropriate, in the period when they are incurred.

The expenses incurred to replace a component of an item or element of property, plant and equipment are capitalized separately, and the carrying amount of the replaced asset is written-off. In the case that the replaced component has not been considered as a separate component of the asset, the replacement value of the new component is used to estimate the carrying amount of the replaced asset.

Assets under construction are capitalized as a separate component. When they are finished, their cost is transferred to a definitive category. Work-in-progress is not depreciated.

"Property, plant and equipment" is derecognized when they are sold or when no future economic benefits are expected from its use or subsequent sale. Gains and losses for sale of assets correspond to the difference between the income from the transaction and the asset carrying amount. They are recognized in the separate statement of profit or loss and other comprehensive income.

The residual value and the useful life of an asset and applied depreciation methods are reviewed at each reporting date of the separate statement of financial position and adjusted if necessary. Any change in these estimates are prospectively adjusted.

Major repairs and maintenance

Major maintenance expenses comprise the replacement cost of parts of assets and refurbishment costs performed every few of years to maintain the maximum operating capacity of the asset as per the technical specifications provided by the asset supplier. Major maintenance expenses are capitalized at initial recognition of the asset as a separate component and are depreciated over the estimated period for the next major maintenance.

Depreciation

Land is not depreciated. Depreciation is calculated using the straight-line method based on the following estimated useful life:

	Years
Buildings and other constructions	Between 5 and 30
Machinery and equipment	Between 2 and 30
Vehicles	Between 2 and 6
Furniture and fixtures	Between 5 and 20
Various equipment	Between 3 and 25
Asset for remediation and mine closure	Useful life of mine

The carrying amount of an asset is written off immediately at its recoverable amount when the carrying amount of the asset exceeds its estimated recoverable value.

G. Intangible assets

Concessions and mining rights

Significant expenditures related to the acquisition of rights on mining concessions are capitalized. If an exploitable ore body is not discovered, the costs incurred are debited to current profit or loss for the period in which such rights are determined as not having a future economic value. Mining concessions, in which exploitable mineral ore bodies are identified, are amortized as from the production phase based on the straight-line method. If the Company abandons its concessions, related costs are written-off with a charge to the separate statement of profit or loss and other comprehensive income.

Mine exploration and development costs

The Company capitalizes exploration costs when the existence of proved and probable reserves is determined. Such costs are amortized in accordance with the estimated useful life of the mining property when commercial exploitation of the reserves is carried out. When management determines that it does not expect any future value from the mining property, the accumulated exploration costs are charged to profit or loss for the period.

When a mining property is considered economically viable, that is, when the existence of proved and probable reserves is determined, the costs incurred to develop such property, such as: consumption of materials and fuels, land survey studies, drilling costs and payments made to contractors who carry out such work, including additional costs to trace the ore body and remove impurities, are capitalized. Development costs are amortized under the straight-line method on the basis of the proved and probable reserves and are charged to production costs.

H. Financial liabilities

In accordance with IAS 39, financial liabilities are classified, accordingly, as: i) financial liabilities at fair value through profit or loss, and ii) other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition date.

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

All financial liabilities are initially recognized at their fair value and are subsequently valued at amortized cost. Amortized costs include costs directly attributable to the transaction.

I. Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. Likewise, on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

Leases in which a significant portion of risks and benefits related to the property are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentive received from the lessor) are charged to the separate statement of profit or loss and other comprehensive income on the basis of the straight-line method in the leasing period.

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Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all the risks and benefits of ownership are classified as operating leases. The leased assets are initially measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Machinery and equipment acquired through finance leases are depreciated at the lower of their useful lives or lease period, when there is no reasonable certainty that ownership of the asset will be obtained at the end of the lease period. If there is reasonable certainty that ownership will be obtained at the completion of the lease period, the expected depreciation period will be the useful life of the asset.

Future lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance charge and the capital reduction of the liability. The total finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate of outstanding debt.

J. Loans

Loans are initially recognized at their fair value, net of incurred transaction costs. Loans are subsequently recorded at their amortized cost, and any resulting difference between the funds received and the redemption value is recognized in the separate statement of profit or loss and other comprehensive income over the loan term using the effective interest method. Non-relevant transaction costs are not considered and are included in the separate statement of profit or loss and other comprehensive income. The loans are classified as current liability unless the Company has the unconditional right to defer settlement of the liability for at least twelve months as of the date of the separate statement of financial position.

K. Income tax and deferred income tax

Income tax expenses of the period comprise current and deferred income tax. Taxes are recognized in the separate statement of profit or loss and other comprehensive income.

Current income tax charge is calculated based on tax laws enacted or substantially enacted as of the date of the separate statement of financial position. Management evaluates periodically its position in income tax returns regarding situations in which tax laws are subject to interpretations.

A full provision is recorded for deferred income tax using the liability method based on temporary differences derived from tax base of assets and liabilities, and their corresponding values in the separate financial statements, that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available, against which temporary differences can be utilized.

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The deductible temporary differences and accumulated tax losses accrue deferred tax assets to the extent that the tax benefit may be used against the income tax of future taxable periods. Carrying amount of deferred tax assets is reviewed on the date of each separate statement of financial position and are reduced to the extent that it is no longer probable that there would be sufficient taxable profit against which it is possible to offset the deferred asset. Deferred tax assets that have not been recognized in the separate financial statements are reassessed at the date of each separate statement of financial position.

Balances of deferred tax assets and liabilities are off-set when there is a legally enforceable right to offset current tax and when deferred taxes relate to the same entity and tax authority.

L. Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and it is possible to reliably estimate its amount. When the effect of the time value of money is material, the value of the provision is the present value of the expenditure required to settle the provision. The reversal of the discount due to the passage of time results in an increase in the obligation which is recognized with a charge to the separate statement of profit or loss and other comprehensive income as a finance cost.

Contingent obligations are disclosed when their existence will only be confirmed as a result of future events or when the amount cannot be measured reliably. Contingent assets are not recognized and are disclosed only if it is probable that the Company will generate economic benefits in the future.

Provision for environmental remediation

The Company recognizes a provision for environmental remediation and mining unit closure, which represents its legal obligation to restore the environment at the end of its operations. When an entity first recognizes the liability arising from this obligation, measured at its estimated future value discounted at its present value, the same amount is simultaneously charged to 'property, plant and equipment' in the separate statement of financial position.

Subsequently, liability is increased in each period to reflect the financial cost considered in the initial discount measurement and, in addition, the capitalized cost is depreciated over the useful life of related asset. The Company recognizes any resulting gain or loss upon settlement of the liability. Changes in the estimate of the initial obligation and interest rates are recognized as an increase or decrease in the carrying amount of the obligation and the related asset, following the criteria of IAS 16 *Property, plant and equipment*. Any reduction in this provision and, therefore, any reduction exceeding the carrying amount of the related asset will be immediately recognized in the separate statement of profit or loss and other comprehensive income.

If the review of the obligation resulted in the need to increase the provision and, in consequence, the carrying amount of the related asset also increases, the Company takes into account whether this increase corresponds to an indication that the asset has become impaired as a whole and, if so, impairment tests required by IAS 36 *Impairment of Assets* are carried out (note 3.P).

M. Derivative financial instruments

Derivative financial instruments, prices of gold and forward exchange hedging are initially recognized at their fair value of the date the derivative instrument contract is entered into and are permanently re-measured at their fair value. The method for recognition of gain or loss resulting from changes in fair value of derivatives depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the hedged item. The Company's derivatives, mainly the outstanding forward exchange contracts at the end of the period, are recognized, under cash flow hedges method with an effect in equity, as unrealized profit or loss, since they cover the risk of the budget exposed to variation. Any change in the fair value of these derivative instruments is recognized immediately in equity of the separate statement of financial position.

N. Fair value of financial instruments

Fair value of financial instruments traded in active markets (such as forward exchange contract) is based on quoted prices as of the date of the separate statement of financial position.

The quoted price used for the financial assets held by the Company is the bid price; the quoted price for financial liabilities is the price required.

The fair value of financial instruments that are not traded in an active market is determined using adequate valuation techniques. These valuation techniques may include the use of: i) recent transactions among related parties as a reference of the fair value effective for other instrument that is substantially similar to the one under analysis; ii) discounted cash flows analysis; or iii) other valuation methods.

Note 4.G includes an analysis of fair value of the Company's financial instruments and more details on their valuation.

O. Employee benefits

Employee's profit sharing

The Company recognizes a liability and an expense for the legal employees' profit sharing in the profits of the Company. Employee's profit sharing is equivalent to 8% of taxable base determined according to the current income tax legislation. Employee's profit sharing is recognized as an element of production cost of intangibles assets and of selling and administrative expenses.

Termination benefits

Termination benefits are recognized in profit or loss when payable, that is, when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Legal bonuses

The Company recognizes the expense for legal bonuses and the related liability on the basis of existing legislation in Peru. Legal bonuses correspond to two remunerations that are paid in July and December annually.

Severance payment

Severance payment of the Company's personnel correspond to employees' indemnities, calculated according to current legislation, which shall be deposited in April and November annually in bank accounts designated by employees. Severance payment of the personnel is equivalent to 50% of a remuneration in force as of the date of deposit. The Company has no obligation to make any additional payment once it has made the annual deposits of funds to which the employee is entitled.

Vacations

Personnel's annual vacations are recognized on an accrual basis. The provision for estimated liability corresponding to personnel's annual vacations, resulting from services rendered by employees, is recorded on the date of the separate statement of financial position.

P. Impairment loss

When events or economic changes indicating the value of long-lived asset might not be recoverable, management reviews the carrying amount of these assets. If after this analysis, the carrying amount exceeds its recoverable amount, an impairment loss shall be recognized in the separate statement of profit or loss and other comprehensive income. Recoverable amounts are estimated for each asset or, if it is not possible, for each cash-generating unit.

The recoverable amount of a long-lived asset or a cash-generating unit (CGU) is the higher of the asset fair value less costs to sell and its value in use. Fair value less cost to sell of a long-lived asset or cash-generating unit is the amount obtainable from its sale in an arm's length sale transaction between knowledgeable parties, less corresponding cost to sell. Value in use is the present value of the future cash flows expected to arise from an asset or a cash-generating unit.

Impairment tests made by the Company, when appropriate, consider the value in use at cash generating unit level (smallest group of assets able to generate identifiable cash flows). Calculation of the value in use requires discounting estimated future cash flows at its present value using a pre-tax discount rate reflecting the market assessment at the date of the separate financial statements of the time value of money and specific risks associated to the asset. Impairment losses of assets related to continuing operations are recognized in the separate statement of profit or loss and other comprehensive income within 'expenses' to which the impaired asset belongs.

On the other hand, the Company assesses at each closing date whether there is an indication that impairment losses previously recognized have been partially or fully reversed. If any such indication exists, the Company estimates the asset's recoverable amount whose carrying amount was previously reduced due to impairment. Previously recognized impairment losses are reversed only if the increase in the recoverable value of the asset resulted from changes in the estimates used when the impairment loss was recognized. In these circumstances, the carrying amount of the asset is increased to its recoverable value. The recognition of an impairment losses reversal previously recorded cannot result in an asset carrying amount exceeding the amount that would have corresponded to that asset, net from depreciation, should the impairment loss previously recorded had not been recognized. The reversal of the impairment loss is recognized in the separate statement of profit or loss and other comprehensive income.

IFRS 6 *Exploration for and Evaluation of Mineral Resources* introduces an alternative impairment test for exploration and evaluation expenditures recognized as assets which, differs from the requirements contained in IAS 36 *Impairment of assets*. IFRS 6 requires mining companies to recognize exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. Main circumstances that may indicate that an impairment test is required are the following:

- The period for which the Company has the right to explore in the area of project has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the area of project is neither budgeted nor planned;
- Exploration for and evaluation of mineral resource in the specific area have not led to the discovery of commercially variable quantities of mineral resources, and the entity has decided to discontinue such activities in the area of project; and

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- Sufficient data exist to indicate that, although a development in the area of project is likely to proceed, the investment in the required exploration and evaluation is unlikely to be recovered in full from successful development or by sale.

In any such case, the Company shall perform an impairment test in accordance with IAS 36 *Impairment of assets*.

Q. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of mineral during the ordinary course of the Company's operations. Revenue is presented net of sales taxes, reductions and discounts incurred on amendments to the mining law. The Company recognizes revenue when all the risks and rewards of ownership of the asset given up, have been transferred; it is probable that the economic benefits associated to the transaction will flow to the Company; the amount of revenue can be reliably measured; and the transaction meets the specific criteria for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company has identified the following performance obligations: a) Mineral sale – "Gold bullion" and b) Laboratory services (note 4). The following specific criteria shall be met in order to recognize a revenue:

Sale of the mineral "Gold bullion"

The sales agreement of "gold bullion" states the set price on the basis of the gold's international price and the short period of time between the beginning of the agreement and fulfillment of performance obligation (days, less than a week). Revenue from sales of gold bullion are recognized in the year in which the control has been transferred, in the shipment based on provisional settlements that are subject to final settlements. The final adjustments resulting from final settlements are recorded in the year in which they are settled. Final settlements are determined based on global stock exchange over a contractually pre-established period. The outstanding provisional settlements at year-end are adjusted with the gold estimated price that would be used for the final settlements, as long as the provided amount to be adjusted is significant.

Laboratory services

A part of the transactional price is allocated to the laboratory services, which the Company provides after transferring the control of gold bullion to its client. Revenue from this service is recognized over time as it is provided to the client.

Interest

Interest income is recognized on a time proportion basis, using the effective interest method. Other income is recognized on an accrual basis.

R. Cost and expense recognition

The cost of sales corresponding to the production cost of gold bullion commercialized by the Company, is recorded when gold bullion is delivered at the same time that revenue from such sale is recognized.

Other costs and expenses are recognized as they accrue, regardless of the moment when they are incurred, and are recorded in the periods to which they relate to the corresponding revenues.

S. Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless their occurrence is remote. Contingent assets are not recognized in the separate financial statements, and they are only disclosed when their realization is probable.

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T. Issued capital

Ordinary shares are classified as equity and are recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction from the amount received, net of taxes.

U. Distribution of dividends

Distribution of dividends to stockholders is recognized as liability in the separate financial statements in the period when dividends are approved by the Company's stockholders.

V. Finance income and costs

Finance income and costs are recorded in profit or loss for the periods to which they relate, and are recognized when accrued, regardless of when they are earned or disbursed.

W. Earnings per share

Basic earnings or loss per share is calculated by dividing the net profit corresponding to ordinary stockholders by the weighted average of ordinary shares outstanding as of the date of the separate statement of financial position. As of December 31, 2018 and 2017, the Company does not hold financial instruments with diluting effect; therefore, the calculation of diluted earnings or loss per share is not required.

X. Foreign currency transactions and balances

Foreign currency transactions are those transactions carried out in a currency other than the functional currency. Foreign currency transactions are translated to the functional currency at the exchange rates prevailing at transaction date or the valuation date when items are redeemed.

Gains or losses on exchange difference resulting from payment of such transactions and from the conversion at exchange rates at the closing of the period of monetary assets and liabilities stated in foreign currency are recognized in the separate statement of profit or loss and other comprehensive income, except when they are deferred as other comprehensive income in transactions that qualify as cash flow hedges.

Y. Translation of financial statements into U.S. dollars

The accounting records of the Company are kept in Soles in accordance to the International Financial Reporting Standards.

In addition, the Company prepares financial statements in U.S. dollars, second currency presentation arising from its accounting records in Soles (functional currency) according to IAS 21 as follows:

- A. The assets and liabilities of each of this statement of financial position have been translated into the respective statement of financial position at year end exchange rates;
- B. Income and expenses for each statement of comprehensive income have been translated at date of exchange rate in which each transaction takes place; and
- C. All resulting exchange differences produced as a result of the aforementioned, are recognized in other comprehensive income item.

The financial statements in Soles have been translated into U.S. dollars according to the aforementioned, and is solely for the convenience of the reader. Therefore, the translation should not be interpreted as representing Soles are, may be or could be in the future, translated into U.S. dollars at the exchange rates indicated in note 5 or any other exchange rate.

The separate financial statements in U.S. dollars described above were elaborated based on the audited financial statements in Soles issued on January 31, 2019.

Z. New standards or amendments for 2018 and forthcoming requirements

The following table lists the new pronouncements issued and applicable to the Company, which were considered in the preparation of the separate financial statements under IFRS for annual periods beginning on January 1, 2019, as well as the forthcoming requirements applicable to annual periods beginning on January 1, 2020 and 2021.

New currently effective requirements

Effective date	New requirements or amendments
January 1, 2018	<ul style="list-style-type: none"> ▪ IFRS 9: Financial instruments. ▪ IFRS 15: Revenue from contracts with customers. ▪ Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

Forthcoming requirements

Effective date	New requirements or amendments
January 1, 2019	<ul style="list-style-type: none"> ▪ IFRS 16: Leases. ▪ IFRIC 23: Uncertainty over income tax treatments. ▪ Prepayment Features with negative compensation (amendments to IFRS 9). ▪ Long-term Interests in Associates and Joint Ventures (amendments to IAS 28). ▪ Plan Amendment, Curtailment or Settlement (amendments to IAS 19). ▪ Annual improvements to IFRSs Standards 2015-2017 Cycle; various standards.
January 1, 2020	<ul style="list-style-type: none"> ▪ Amendments to References to the Conceptual Framework in IFRSs.
January 1, 2021	<ul style="list-style-type: none"> ▪ IFRS 17: Insurance contracts.

IFRS 16: Leases

IFRS 16 was issued in January 2016. It introduces a lease accounting model in the separate statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard.

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities applying IFRS 15 on or before the initial application date of IFRS 16. The Company does not plan to early adopt this standard or, apply the retrospective approach, that is, the impact of such transition will be recognized in equity from January 1, 2018.

The Company has evaluated that this standard will mainly affect the accounting of its operating leases. As of December 31, 2018, the Company has commitments for non-cancellable operating leases mainly related to lease of property for amounts less than S/ 360 thousands. The Company is evaluating adjustments, since there has been a change in the definition of the lease term, variable lease payments, and extension and termination options of term. The Company is estimating the potential amount of right-of-use asset and lease liabilities that should be recognized when adopting this new standard and its corresponding impact on the Company's profit or loss as well as the classification of the cash flows.

IFRIC 23: Uncertainty over income tax treatments

This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12, when there is uncertainty over income tax treatments. In this scenario, the entity shall recognize and measure the current or deferred tax asset or liability by applying the requirements of IAS 12, based on the tax profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined as per this interpretation.

The interpretation is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is evaluating the impact, if any, of these amendments issued but not yet effective as of the date of the separate financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

The following amendments are included in this improvement cycle:

- Previously Held Interests in a Joint Operation (amendments to IFRS 3 *Business Combinations*) establishes that when one of the parties of a joint agreement obtains control of a business, recognized as joint operation, and having rights to assets and obligations for the liabilities related to that joint operation before the date of acquisition, will be considered as a business combination made in stages, remeasuring the previously held investment.
- Previously Held Interests in a Joint Operation (amendments to IFRS 11 *Joint Arrangements*) establishes that a joint operator that is defined as business that does not take part of joint control, is able to obtain joint control. In that scenario, previously held investment in the joint operation shall not be remeasured.
- Income Tax consequences of Payments on Financial Instruments Classified as Equity (amendments to IAS 12 *Income Taxes*) states that an entity shall recognize the effects of dividends in the income tax as established by IFRS 9. The effects will be recognized in the separate statement of profit or loss and other comprehensive income or directly in equity, according to its origin.
- Borrowing Costs Eligible for Capitalization (amendments to IAS 23 *Borrowing costs*) states that in order to determine the capitalization rate, the specific purpose loans shall be excluded to obtain qualifying assets until all necessary activities conclude to prepare the qualifying asset for its expected use.

Amendments are effective for periods beginning on or after January 1, 2019, early adoption is permitted.

The Company is evaluating the impact, if any, of these amendments issued but not yet effective as of the date of the separate financial statements.

4. Changes in Significant Accounting Policies

The Company has applied the IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, which are effective for the annual period beginning on January 1, 2018.

Due to the transition methods chosen by the Company to enforce these standards, the comparative information included in these separate financial statements has not been restated to reflect the requirements of the new standards. The effect of the initial adoption of these standards has not generated an impact on the separated financial statements as of December 31, 2018.

A. IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which supersedes IAS 39 *Financial Instruments: Recognition and Measurement* and all the previous versions of IFRS 9. IFRS 9 compiles the three phases of the financial instrument project: classification and measurement, impairment and hedge accounting. The effective date of IFRS 9 is January 1, 2018.

The Company took advantage of the exemption allowing it not to restate information for prior periods (applicable prospectively) with respect to classification and measurement changes, including impairment. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were not identified as of January 1, 2018.

i. Classification and measurement

No changes were identified in the separate statement of financial position or equity due to the application of the classification and measurement requirements of IFRS 9; therefore:

- Those financial assets classified under IAS 39 as borrowings and accounts receivable (including trade accounts receivable) meet the business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest. Therefore, they meet the criteria to be measured at amortized cost in accordance with IFRS 9. Accordingly, no change in the measuring of these instruments is required.

ii. Impairment

IFRS 9 requires that the expected credit losses of all its financial assets shall be recorded, except for those that are carried at fair value with an effect on profit or loss and the shares, measured at 12-month or lifetime of the financial instrument. Under this standard, the Company will apply the simplified approach (lifetime expected credit losses of financial instruments) for trade debtors, and the general approach for the other financial assets. The general approach requires evaluating whether or not a significant increase in risk exists to determine whether the loss shall be estimated based on 12 months after the reporting date or during the lifetime of the asset.

IFRS 9 supersedes the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the financial assets measured at amortized cost and assets of the contract, but not to the investments in equity instruments. Under IFRS 9, credit losses are recognized before under IAS 39. It is expected that impairment losses will increase and become more volatile for assets in the scope of the impairment model of the IFRS 9. The Company has determined that the application of the impairment requirements of IFRS 9 as of January 1, 2018, does not result in an additional provision for the impairment, due to the existing short term between invoicing and payment date from its only client.

Major impacts resulting from the initial adoption of IFRS 9 are associated with aspects of financial assets impairment that is described as follows:

- The Company uses a practical solution to measure the expected credit losses against the trade accounts receivable, using a matrix provision which appoints rates of loss due to aging of balances.
- As a result, the Company has organized its client portfolio according to their behavior of joint payment presented in time intervals. Through this analysis, it was identified the loss rate each portfolio had over the total sales per period. In this sense, it was determined the ratios of loss that each client portfolio had managed the last 3 years.
- With the detail of ratios of historical loss, it was evaluated their correlation with economic variables, which would allow to predict the evolution of these ratios. With a high level of dependency, the Company developed a statistical model, which allows to know the ratio of expected loss based on the change expectations of the economic variables.
- Once obtained the estimated ratio of loss, it was applied over the aging of current accounts receivable, resulting in the adjustments described below.

As of December 31, 2018, management has estimated that there are no expected credit losses (note 7) regarding the accounting policy applied before impairment.

B. IFRS 15: Revenue from contracts with customers

IFRS 15 was published in May 2014 and amended in April 2016. It introduces a five-step model for the accounting of revenue from contracts with customers. Under IFRS 15, revenue is recognized for an amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It supersedes existing standards on revenue recognition, among them, IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

It introduces a five-step model for the recognition of ordinary income from contracts with customers:

1. Identifying contract with a customer
2. Identifying performance obligations in the contract
3. Determining the transaction price
4. Allocating the transaction price to performance obligations
5. Recognizing revenue when (or as) the entity satisfies a performance obligation

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It supersedes standard IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, in a specific period or over the time, requires judgment.

For the transition to IFRS 15, the Company has used the simplified forward-looking approach, without restatement, of the comparative information as of year 2017.

As a result of their evaluation, the Company has estimated that the impact of IFRS 15 for its revenue is low, due to the following:

- The agreements with their clients are agreed under a strictly regulated context, so the rights and obligations of the parties and the payment conditions, fulfill the conditions to qualify these agreements as contracts under this new IFRS.
- Even though there are specific obligations in each contract with its clients, said obligations are developed simultaneously and the clients do not understand their separated development. Therefore, the contract is not different in the context of each agreement and are combined to result in a performance obligation separated per contract.
- The transaction price is agreed publicly in the international market. Even though, variable considerations that could affect said price are identified, as is the case of penalties due to failure incurred and/or price adjustments under mineral law; said situations have not occurred to date and, if they occur, they would be very specific and intangible situations.
- Finally, the opportunity of revenue recognition does not change since its performance obligations are recognized over the time, as it has been done (note 3.Q).

As of December 31, 2018, the Company did not identify quantitative impacts on the separate financial statements arising from the adoption of IFRS 15.

5. Financial Risk Management

The Company's activities expose itself to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Company's program for financial risk management seeks to minimize potential adverse effects on its financial performance. The most relevant aspects for the risk management are the following:

A. Currency risk

Main foreign currency transactions are carried out in U.S. dollars and are relate to trade accounts receivable and payable, and to the Company's financing activities, which determine the assets and liabilities in such currency. The Company is exposed to the risk that the exchange rate of the U.S. dollar fluctuates adversely and significantly compared to the sol. The Company mitigates the currency risk conducting hedging transactions with derivative financial instruments.

Balances in foreign currency as of December 31 are summarized as follows:

In thousands of S/	2018	2017
Assets		
Cash and cash equivalents	13,420	10,776
Other accounts receivable	41,417	36,717
	54,837	47,493
Liabilities		
Trade accounts payable	(23,689)	(29,604)
Other accounts payable	(111,330)	(85,738)
	(135,019)	(115,342)
Net liabilities	(80,182)	(67,849)

As of December 31, 2018, the exchange rates used by the Company to record balances in foreign currency, as published by the Banking, Insurance and Pension Plan Agency (SBS), were S/ 3.379 per US\$1 for the assets and liabilities (2017: S/ 3.245 per US\$ 1 for the assets and liabilities).

As of December 31, 2018 and 2017, the Company recorded a net exchange gain and loss amounting of S/ 5,393 thousand and S/ 3,637 thousand, respectively.

In case of devaluation or revaluation of the U.S. dollar compared to the sol as of December 31, 2018 and 2017 of 10% higher/lower, with all other variables remaining constant, net profit before income tax would have increased or decreased as follows:

In thousands of US\$	Increase/decrease in US\$ exchange rate	Effects on profit or loss before taxes
2018	+10%	38
	-10%	(38)
2017	+10%	31
	-10%	(31)

B. Interest rate risk

The Company's interest rate risk arises from its long-term debts. Variable-rate debts expose the Company to interest rate risk on cash flow. Fixed-rate debts expose the Company to interest rate risk on liabilities fair value.

The Company does not have a formal policy to determine how much exposure should be at fixed or variable rate. However, when assuming new loans or debts, management exercises its judgment to decide whether a fixed or variable rate would be more favorable to the Company during the expected period until its maturity.

As of December 31, 2018 and 2017, fixed and variable rate instruments held by the Company are the following:

In thousands of US\$	2018	2017
Fixed-rate instruments		
Time deposits	15,888	10,986
Other financial liabilities	(21,426)	(29,630)
	(5,538)	(18,644)
Variable rate instruments		
Other financial liabilities	(25,103)	(9,851)
	(25,103)	(9,851)

If, as of December 31, 2018 and 2017, the variable rate instruments would have been 10% higher/lower and all other variables would have remained constant, profit before taxes would have been:

In thousands of US\$	Increase/decrease in interest rate	Effects on profit or loss before taxes
2018	+10%	131
	-10%	(131)
2017	+10%	138
	-10%	(138)

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C. Price risk

The Company is exposed to the risk that the price of gold fluctuates. That is, the flows from the sale of gold bullion are adversely exposed due to the volatility of the market prices of said metals. Fluctuation effects of market prices of metals increase the risk of potential capital requirements from stockholders to cover cash needs for operations.

If, as of December 31, 2018 and 2017, the price of gold bullion would have been 10% higher/lower and all other remaining variables would have remained constant, profit before taxes would have been:

<i>In thousands of US\$</i>	Increase/ decrease in prices	Effects on profit or loss before taxes
2018	+10%	35,792
	-10%	(35,792)
2017	+10%	28,023
	-10%	(28,023)

D. Credit risk

The Company's credit risk arises from the debtors' inability to meet obligations upon maturity. Management considers that the Company does not have credit risk because its sales are concentrated on only one client, Bank of Nova Scotia, which is international tier 1 company.

Finally, the Company places its liquidity surplus in first-class financial entities (independent risk ratings of at least "A" rating), sets conservative credit policies, and continuously assesses conditions in the market in which it operates.

Consequently, the Company does not foresee any significant loss arising from this risk. Further information on credit risk is explained in note 7 herein.

E. Liquidity risk

Prudent liquidity risk management implies holding enough cash and cash equivalent, and financing available through a proper number of credit sources. Due to the dynamic nature of its operating and investing activities, the Company seeks to maintain flexibility in its finances through the availability of committed credit lines.

The following table shows an analysis of the Company's financial liabilities classified upon maturity, considering their remaining period, at the reporting date:

<i>In thousands of US\$</i>	Carrying amount	Contractual cash flow	Less than one year	1 - 2 years	More than 2 years
2018					
Other financial liabilities	46,529	48,289	27,812	20,582	73
Other accounts payable	32,207	32,207	32,207	-	-
Trade accounts payable	20,231	20,231	20,231	-	-
	98,967	100,727	80,250	20,582	73
2017					
Other financial liabilities	39,482	40,255	32,160	7,041	1,054
Other accounts payable	27,595	28,469	25,886	2,583	-
Trade accounts payable	18,845	18,845	18,845	-	-
	85,922	87,569	76,891	9,624	1,054

Management monitors the risk associated with each of the above mentioned categories, which includes maintaining good relationships with local banks in order to assure sufficient credit lines at all times, as well as covering its working capital with cash flows coming from operating activities.

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F. Capital management

The Company's objective in managing capital is to safeguard its capacity to continue as a going concern and provide the expected return to its stockholders and respective benefits to stakeholders, as well as maintaining an optimum structure to reduce capital cost.

The Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce its debt in order to maintain or adjust the capital structure

The Company's strategy is to keep the debt-to-capital ratio below 2. As of December 31, 2018 and 2017, leverage ratios were below 2 due to a higher concentration of cash and cash equivalents in both periods. The latter, to meet the payment of dividends, expense allowance for board of directors, employees' profit sharing and other current financial liabilities.

The Company determines its leverage or debt ratio considering trade accounts payable, other accounts payable, other financial liabilities, provision for environmental remediation and deferred liabilities, divided by total equity, as detailed below.

As of December 31, 2018 and 2017, leverage ratios are as follows:

<i>In thousands of US\$</i>	2018	2017
Trade accounts payable	20,230	18,845
Other accounts payable	32,210	27,595
Other financial liabilities	46,529	39,482
Provision for environmental remediation	9,098	9,982
Deferred tax liabilities	9,883	7,933
Less: cash and cash equivalents	(30,087)	(18,080)
Net debt	87,863	85,757
Total equity	231,550	199,536
Debt-to-equity ratio	0.38	0.43

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G. Accounting classification and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy:

In thousands of US\$	Note	Carrying amount			Fair value		
		Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 2	Total
As of December 31, 2018							
Financial assets measured at fair value							
Price hedging	8	287	-	-	287	287	287
		287	-	-	287	287	287
Financial assets not measured at fair value							
Cash and cash equivalents	6	-	30,087	-	30,087	-	-
Trade accounts receivable	7	-	1,904	-	1,904	-	-
Other accounts receivable (a)	8	-	10,834	-	10,834	-	-
		-	42,825	-	42,825	-	-
Financial liabilities not measured at fair value							
Other financial liabilities	15	-	-	46,529	46,529	48,289	48,289
Trade accounts payable	13	-	-	20,230	20,230	-	-
Other accounts payable (b)	14	-	-	20,714	20,714	-	-
		-	-	87,473	87,473	48,289	48,289

(a) Excluding benefits for taxes or restricted funds.

(b) Excluding advances, statutory liabilities or social benefits.

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In thousands of US\$	Note	Carrying amount			Fair value		
		Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 2	Total
As of December 31, 2017							
Financial assets measured at fair value							
Price hedging	8	227	-	-	227	227	227
		227	-	-	227	227	227
Financial assets not measured at fair value							
Cash and cash equivalents	6	-	18,080	-	18,080	-	-
Trade accounts receivable	7	-	1,957	-	1,957	-	-
Other accounts receivable (a)	8	-	10,994	-	10,994	-	-
		-	31,031	-	31,031	-	-
Financial liabilities not measured at fair value							
Other financial liabilities	15	-	-	39,482	39,482	40,255	40,255
Trade accounts payable	13	-	-	18,845	18,845	-	-
Other accounts payable (b)	14	-	-	15,140	15,140	-	-
		-	-	73,467	73,467	40,255	40,255

(a) Excluding benefits for taxes or restricted funds.

(b) Excluding advances, statutory liabilities or social benefits.

The Company has not disclosed the fair value of short-term financial instruments such as accounts payable or receivable, because the carrying amount is an approximation of fair value.

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Financial liabilities measured at fair value

The table below explains the measurement of the Company's financial instruments and financial liabilities. Fair value measurements are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation techniques as follows: Fair values are categorized into different levels as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable inputs for the asset or liability.

6. Cash and Cash Equivalents

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	2018	2017
Cash and imprest fund	22	32
Checking accounts	14,177	7,062
Time deposits	15,888	10,986
	30,087	18,080

As of December 31, 2018, the Company holds checking accounts at high-quality local and foreign financial institutions in local and foreign currency for approximately S/ 10,345 thousand and US\$ 11,115 thousand, respectively (2017: S/ 7,472 thousand and US\$ 4,757 thousand, respectively). Said funds have free withdrawal option and bear interest at market interest rates.

Time deposits have original maturities under 90 days and may be renewed at maturity. As of December 31, 2018, time deposits were estimated in S/ 3,000 thousand and US\$ 15,000 thousand. These time deposits accrued interest at annual effective rates of 3.85% in dollar, and between 1.95% and 2.60% in U.S. dollars, respectively. As of December 31, 2017, time deposits were estimated in S/ 3,200 thousand and US\$ 10,000 thousand. These time deposits accrued interest at annual effective rates of 4.55% in dollar and 0.66% in U.S. dollars.

According to the information provided by Apoyo & Asociados Internacional S.A.C., the quality of the financial institutions in which the Company deposits its cash is classified as follows:

<i>In thousands of US\$</i>	2018	2017
Deposits in banks		
A +	29,998	17,715
A	67	333
	30,065	18,048

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7. Trade Accounts Receivable

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	2018	2017
Accounts receivable		
Invoices receivable - overseas	1,903	1,957

Trade accounts receivable have current maturity, do not have specific guarantees, and do not bear interest.

As per management's analysis, an account receivable is considered as impaired when it has been classified as uncollectible and, therefore, has been presented in the estimate for impairment of accounts receivable.

As of December 31, 2018 and 2017, there are no uncollectible accounts since its only client has a recognized prestige in the international market and does not have financial problems as of the end of the period.

The credit quality of accounts receivable has been assessed per debtor based on the historical data, which reflects default indicators as follows:

<i>In thousands of US\$</i>	2018	2017
Aging of accounts receivable		
Current	1,903	1,957
Classification of debtors		
Group 2	1,903	1,957

Group 2: existing clients (more than 6 months) without payment defaults in the past.

In the opinion of the Company's management, it is not required to make an estimate for impairment of accounts receivable as of December 31, 2018 and 2017 (note 5). Furthermore, it considers that credit risk of these items is appropriately covered as of those dates (see information on credit risk in note 5.D).

8. Other Accounts Receivable

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Sales tax (a)		4,529	5,564
Payments on account of corporate income tax (b)		695	-
Derivative financial instruments (c)	5.G	287	227
Advances to contractors (d)		1,840	1,203
Accounts receivable from personnel		555	592
Loans to contractors (d)		1,003	1,029
Sale of materials to artisanal miners		486	509
OEFA withholdings		321	334
Public works tax - Regional Government of La Libertad (e)		906	889
Other minor accounts		212	647
		10,834	10,994

- (a) It corresponds to the sales tax (IGV, for its Spanish acronym) paid by the Company arising from goods and services purchases. Sales tax will be recovered with the tax resulting from future sales. In the case of exports, in addition to the above-mentioned procedure, tax credit can be automatically compensated with tax debt generated from payments on account and settlement of income tax, or from any other of the Company's tax that represents income for the Public Treasury. If such recovery is not possible, the balance in favor will be refunded through negotiable credit notes, non-negotiable checks, and/or deposits in checking or savings account. The payment limit or refund of credit balance in favor will be a percentage equivalent to the rate of sales tax, including the Municipal Promotion Tax on the FOB value as per shipper's export statements duly numbered supporting the exports shipped during the period.
- (b) Corporate income tax: It corresponds to the balance in favor of the corporate income tax that the Company can apply against payments on account of monthly statements or settlement of such taxes.
- (c) Financial derivative instruments: It corresponds to unrealized profit or loss for derivative financial instruments, also called commodity swaps, which were not settled as of December 31, 2018 and 2017, respectively (note 17).
- (d) Advances and loans to contractors: It corresponds to transactions with artisanal miners. As of December 31, 2018, the increase is aligned with the production levels of ounces of gold.
- (e) Public works tax – Regional Government of La Libertad
In 2018, the project related to the improvement of water and sanitation services for Alisos, Campamento, Pueblo Nuevo, Santa María, Pataz, San Fernando and Vista Florida communities was pursued with the District Municipality of Pataz. In addition, the project related to the establishment of a Municipal Library in the community of Pataz was initiated. Both projects will be completed in 2019. Also, the project related to the sprinkler irrigation system in the Chuquitambo area located at the Pataz District and Province was completed.

In 2017, both the project related to the improvement of water and sanitation services for Alisos, Pueblo Nuevo, Campamento, Santa María, Pataz, San Fernando and Vista Florida communities and the project related to the sprinkler irrigation system in the Chuquitambo area located at the Pataz District and Province were pursued with the District Municipality of Pataz. Both projects will be completed in 2019 and 2018, respectively. Likewise, the construction of the Peruvian National Police Non-Commissioned Officer Academy in the Region of La Libertad was completed and was subsequently delivered in October 2017.

9. Inventory

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	<i>Note</i>	2018	2017
Finished goods	25	5,220	5,930
Goods-in-process	25	295	381
Various supplies		5,060	4,484
Inventory in-transit		543	453
		11,118	11,248

As of December 31, 2018, the balance of finished goods comprises 7,118 ounces of gold with a market value of US\$ 1,292 per ounce (2017: 7,248 ounces of gold with a market value of US\$ 1,319 per ounce). The balance of various supplies mainly comprises spare parts of mining equipment, fuels, lubricants, explosives, drills and electrical materials. The balance of inventory in-transit mainly comprises acquisition of filter cloth, equipment, rails and spare parts.

10. Prepaid Expenses

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	2018	2017
Current portion		
Advance of countervailing duties	701	695
Licenses	209	216
Prepaid leases	191	186
Prepaid taxes	76	92
Prepaid insurance (b)	1,398	589
Other expenses	335	191
Current portion	2,910	1,969
Non-current portion a)	3,555	3,701

- (a) It corresponds to the agreement dated June 2, 2011 regarding amendments in the countervailing duties (royalties) in favor of the holder of a mining concession in which the Company is carrying out exploration activities. This agreement establishes that countervailing duties payable by the Company from the date it begins its exploitation activities in the aforementioned concession are reduced from 5% to 1.5%. The Company shall pay the holder US\$ 5 million, as follows: i) an initial installment of US\$ 200 thousand; and ii) the remaining balance in 120 monthly installments of US\$ 40 thousand.

The total amount of this agreement, measured at its present value at the signing date, has been recognized as long-term prepaid expense in the separate statement of financial position and will be amortized against the royalties generated during the concession's exploitation phase. The payment obligation arising at the date of the agreement, measured at its present value, was recorded in 'other accounts payable' under 'provision for countervailing duties' for US\$ 1,954 thousand (note 14).

- (b) The renewal of the property insurance agreement entered into with Rimac Seguros y Reaseguros was agreed on July 30, 2018, with maturity on July 31, 2019.

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11. Property, Plant and Equipment

The movement in the cost and corresponding accumulated depreciation of property, plant and equipment for the years ended December 31, 2018 and 2017, is the following:

	Lands	Buildings, constructions and premises	Machinery and equipment	Vehicles	Furniture and fixtures	Various equipment	Replacement units	Work-in-progress	Mine closure remediation	Closing balances
<i>In thousands of US\$</i>										
Year 2018										
Cost										
Balance as of January 1, 2018	9,816	86,965	69,978	1,547	1,235	7,112	6,388	40,072	14,651	237,764
Additions	-	-	(3,305)	(61)	(87)	-	11,364	19,854	(265)	30,563
Disposals	(6)	(340)	-	-	-	(1,306)	-	-	-	(5,105)
Transfers	570	13,593	6,504	40	104	2,775	(10,676)	(13,000)	-	-
Effect of movements in exchange rates	(400)	(3,867)	(2,456)	(54)	(59)	(101)	(208)	(1,660)	(652)	(9,455)
Balance as of December 31, 2018	9,980	96,351	70,721	1,472	1,303	8,390	6,970	45,266	13,804	294,157
Accumulated depreciation										
Balance as of January 1, 2018	-	(34,321)	(44,200)	(1,240)	(734)	(3,983)	-	-	(10,000)	(94,478)
Additions	-	(5,063)	(3,683)	(71)	(82)	(1,265)	-	-	(497)	(10,661)
Disposals	-	332	3,237	55	77	1,285	-	-	-	4,986
Effect of exchange rate	-	1,806	1,576	47	25	44	-	-	397	3,897
Balance as of December 31, 2018	-	(37,244)	(43,070)	(1,209)	(714)	(3,919)	-	-	(10,100)	(96,256)
Net carrying amount at year-end	9,980	59,107	27,651	263	589	4,471	6,970	45,266	3,704	197,901
Year 2017										
Cost										
Balance as of January 1, 2017	8,351	75,187	60,095	1,753	1,075	5,883	4,568	31,206	13,267	201,385
Additions	-	-	-	-	-	-	11,637	18,970	914	31,521
Disposals	-	-	(1,925)	(458)	(16)	(357)	-	-	-	(2,756)
Transfers	1,147	8,900	9,623	117	133	1,317	(10,150)	(11,087)	-	-
Effect of exchange rate	318	2,878	2,185	135	43	269	333	963	-	-
Balance as of December 31, 2017	9,816	86,965	69,978	1,547	1,235	7,112	6,388	40,072	14,651	237,764
Accumulated depreciation										
Balance as of January 1, 2017	-	(29,346)	(40,622)	(1,425)	(650)	(3,288)	-	-	(9,146)	(84,449)
Additions	-	(4,254)	(3,929)	(117)	(79)	(944)	-	-	(627)	(9,650)
Disposals	-	-	1,737	408	12	354	-	-	-	2,511
Effect of exchange rate	-	(719)	(1,396)	(106)	(17)	(135)	-	-	(327)	(2,690)
Balance as of December 31, 2017	-	(34,321)	(44,200)	(1,240)	(734)	(3,983)	-	-	(10,000)	(94,478)
Net carrying amount at year-end	9,816	52,644	25,778	307	501	3,129	6,388	40,072	4,651	143,286

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The Company holds finance lease agreements of fixed assets whose carrying amount as of December 31, 2018, amounts to S/ 22,368 thousand (2017: S/ 23,160 thousand), which are mainly included in 'machinery and equipment' (note 15).

As of December 31, 2017, transfers of work-in-progress mainly correspond to the construction of Hualanga - Santa María highway, construction of La Pajilla highway, construction of Hualanga tailing pond (second stage), improvement of Santa María 2 tailing pond, construction of El Toro highway, Extension of PU MN Power Grids and Extension of PU SM Power Grids. As of December 31, 2017, transfers of work-in-progress mainly correspond to the filtration plant in Santa María, filtered tailing pond in PU MN Livas gorge, construction of PU MN La Estrella III waste deposit, extension of PU SM power grids, construction of PU MN highway in Valdivia and construction of PU SM Consuelo tunnel.

As a security for the loans granted by Scotiabank Perú S.A.A. (note 15), the Company has granted a deed of trust on various machinery and equipment that are part of Santa María I smelting plant amounting to US\$ 4,721 thousand.

As of December 31, 2018 and 2017, work-in-progress mainly comprises the following:

<i>In thousands of US\$</i>	2018	2017
Lavasen Project	13,532	12,159
Jimena Shaft	5,652	5,652
138 kV Transmission Line	3,692	2,154
Construction of gauge to Nimpana Hydroelectric Power Plant	2,583	-
Nimpana Hydroelectric Power Plant	2,454	2,341
Expansion of Marañón Plant to 800 MT	1,520	255
Expansion of Santa María Plant to 1000 DMTD	1,182	325
Hydraulic Filling Plant	1,090	612
Medical Center and administrative offices in Santa María	1,048	231
Construction of tunnel to Hualanga at LVL-2120	936	64
Santa María Shaft	741	741
Paving of Vijus Industrial Area	688	119
Construction of hotel for workers at LVL-2260	455	25
Construction of Substations Principal Chacparrosa 25, 4.16 and 0.46 kV	428	222
Gold Refinery Project	436	188
Thickener 5 Overhaul	374	242
Implementation of LPC Transmission Line – Thermal	368	212
Modification of EIA PU Marañón (new components)	359	136
Construction of dam in Poblano Gorge SM	332	-
Expansion of cafeteria at LVL-2670	339	169
Construction of Wastewater Treatment Plant SM	332	20
Construction of Effluent Plant at LVL-2120	329	-
Construction of Paraiso By-pass	303	-
Construction of San Borja - Lima offices (corporate premise)	292	292
PU Santa María waste deposit	264	264
Construction of Santa María Core Shack	212	209
Modification of the EIA for Extension to 1000 MT SM	213	192
Revolcadero tailing pond	247	247
Water and sewerage system in camp at LVL-2670	195	71
Effluent Treatment Plant	185	-
Concrete Sleeper in Trolley Line	180	-
Carried forward	40,961	27,142

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<i>In thousands of US\$</i>	2018	2017
Brought forward	40,961	27,142
Hualanga 2 Filtered Tailing Pond	176	71
Estrella 5 Waste Deposit	173	169
Construction of El Monte Highway	158	147
Implementation of belt in fines silo with loading chute and conveyor belt	150	150
Lime dosing plant	131	131
Police Station Project (Vijus)	142	142
Construction of Hualanga Tailing Pond (second stage)	44	1,997
Hualanga – Santa María Highway	-	2,265
Construction of La Pajilla Highway	-	2,946
Other projects under US\$ 44 thousand	7,315	7,236
Effect of movements in exchange rates	(3,984)	(2,325)
	45,266	40,071

The Lavasen Project is expected to be completed by 2021. The objective of this project is to achieve energy independence, produce 43.45 MW, and trade the surplus.

As of December 31, 2018, 'other minor projects' are in progress and are expected to be completed between 2019 and 2020.

The depreciation expense for the year ended December 31, 2018 and 2017, has been allocated as follows:

<i>In thousands of US\$</i>	Note	2018	2017
Separate statement of profit or loss and other comprehensive income			
Cost of sales	25	7,580	6,956
Provision for environmental remediation	25	518	530
Administrative expenses	27	985	809
Selling expenses	26	10	10
		9,093	8,305
Separate statement of financial position			
Intangible assets	12	1,472	1,435
Work-in-progress		112	110
		1,584	1,545
		10,677	9,850

As of December 31, 2018 and 2017, management carried out an assessment of the recoverable amount of its property, plant and equipment estimating the future discounted cash flows in dollar that such assets will generate. Impairment tests' results as of those dates indicate that it is not necessary to record any impairment loss on the long useful-life assets.

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12. Intangible Assets

The movement in the cost and corresponding accumulated amortization of intangible assets for the years ended December 31, 2018 and 2017 is the following:

<i>In thousands of US\$</i>	Concessions and mining rights	Exploitation and development costs	Closing balances
Year 2018			
Cost			
Opening balances	26,643	401,444	428,087
Additions	2,627	63,627	66,254
Effect of exchange rate	(1,143)	(17,656)	(18,799)
As of December 31, 2018	28,127	447,415	475,542
Amortization			
Opening balances	(22,508)	(293,442)	(315,950)
Additions	(932)	(42,373)	(43,305)
Effect of exchange rate	930	13,104	14,034
As of December 31, 2018	(22,510)	(322,711)	(345,221)
Net carrying amount at year-end	5,617	124,704	130,321
Year 2017			
Cost			
Opening balances	23,745	335,276	359,021
Additions	2,048	54,194	56,242
Effect of exchange rate	850	11,974	12,824
As of December 31, 2017	26,643	401,444	428,087
Amortization			
Opening balances	(20,459)	(247,975)	(268,434)
Additions	(1,336)	(37,991)	(39,327)
Effect of exchange rate	(713)	(7,476)	(8,189)
As of December 31, 2017	(22,508)	(293,442)	(315,950)
Net carrying amount at year-end	4,135	108,002	112,137

Additions to the 'exploration and development expenses' in 2018 include US\$ 1,584 thousand (2017: S/ US\$ 1,545 thousand) related to the depreciation expense of machinery and vehicles (note 11). Additionally, it includes employees' profit sharing related to the exploration and development activities for US\$ 2,323 thousand (2017: US\$ 1,914 thousand) (note 22).

As a security for the loans granted by Scotiabank Perú S.A.A. in September 2012, the Company entered into a trust agreement (effective for the years 2018 and 2017) on three mining concessions for US\$ 64,351 thousand.

The amortization expense for the years ended December 31, 2018 and 2017 has been fully allocated to the cost of production.

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13. Trade Accounts Payable

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	2018	2017
Invoices	20,230	18,845

Trade accounts payable mainly correspond to the purchase of materials, supplies and rendering of services for the development of the Company's productive activity.

Such accounts payable are stated in local and foreign currency, have current maturities, do not accrue interest, and no guarantees have been given for these obligations.

The carrying amount of the trade accounts payable is similar to its fair value due to its current maturity.

14. Other Accounts Payable

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	<i>Note</i>	2018	2017
Employees' profit sharing	22	8,265	7,421
Other taxes and contributions (a)		774	2,755
Related parties (b)		3,963	3,536
Countervailing duties payable (c)		1,954	1,898
Accounts payable to related parties (d)		1,662	551
Artisanal miners		713	650
Withholding fund – Contractors		4,361	3,143
Mining contractors		2,410	2,286
IT equipment rental and licenses		1,236	891
Mining royalties – Law 28258	23.C	962	861
Electric power – HIDRANDINA		370	339
Special mining tax – Law 29789	23.C	972	924
Personnel remuneration		523	494
Insurance 10 (b)		212	227
Litigation	32	918	510
Purchase of materials pending invoicing		636	316
Other		2,279	793
Total accounts payable		32,210	27,595
Less: Current portion		(30,828)	(25,886)
Non-current portion		1,382	1,709

(a) Other taxes and contributions mainly correspond to a further determination of the income tax by an increase in production.

(b) Related parties:
The Company has considered those officers with authority and responsibility for planning, directing and controlling the Company's activities as its key personnel. Company's key personnel are defined as the senior management of the Company, which is composed of management and Board of Directors. As of December 31, 2018 and 2017, these professionals received remunerations and other benefits for:

<i>In thousands of US\$</i>	2018	2017
Key management	2,651	2,448
Board of Directors	6,347	5,671
	8,998	8,119

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As of December 31, 2018, balance of expense allowance for board of directors payable increased with respect to 2017 because of the profits from 2018.

These benefits are included in 'administrative expenses' and 'cost of sales' of the separate statement of profit or loss and other comprehensive income. As of December 31, 2018 and 2017, the Company did not grant borrowings to its key personnel or long-term benefits to its Directors.

- (c) As of December 31, 2018, it includes US\$ 1,157 thousand (2017: US\$ 1,598 thousand) corresponding to the countervailing duties payable in favor of a mining concession holder. The amount of the obligation at the signing date of the agreement described in note 10 was US\$ 3,555 thousand and the remaining balance was US\$ 804 thousand (2017: US\$ 300), which corresponds to other mining concessions holders.
- (d) As of December 31, 2018, the Company has neither control over nor significant impact on the related party.

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15. Other Financial Liabilities

As of December 31, 2018 and 2017 this caption comprises the following:

In thousands of US\$	Type of obligation	Currency	Interest rate	Maturity	Capital					
					Total		Current		Non-current	
					2018	2017	2018	2017	2018	2017
5,019	Loan	US\$	LIBOR + 4.00%	May 2021	9,851	2,019	4,851	3,000	5,000	-
20,084	Loan	US\$	LIBOR + 4.05%	August 2021	8,597	6,084	8,597	14,000	-	-
11,575	Promissory notes	US\$	1.99%	February 2019	14,101	11,575	14,101	-	-	-
2,426	Promissory notes	US\$	3.17% to 3.25%	Between June 2019 and September 2019	-	2,426	-	-	-	-
39,104	Sub total loans and promissory notes				32,549	22,104	27,549	17,000	5,000	-
2,353	Finance lease	US\$	2.60% to 4.98%	Between July 2020 and August 2022	-	1,125	-	1,228	-	-
901	Finance lease	US\$	2.60% to 4.50%	Between February 2019 and October 2020	1,090	588	841	313	249	-
3,254	Finance lease	US\$	2.89% to 4.95%	Between September 2019 and September 2020	4,543	2,340	2,847	914	1,696	-
917	Finance lease	US\$	2.75% to 4.15%	Between January 2019 and October 2020	1,300	607	923	310	377	-
7,425	Sub total loans and promissory notes				6,933	4,660	4,611	2,765	2,322	-
46,529	Total				39,482	26,764	32,160	19,765	7,322	-

Loans have certain restrictions for the Company regarding compliance with the following covenants, which have been compiled as of December 31, 2018 and 2017, respectively.

- (a) Hold a hedge ratio not less than 3.0.
- (b) Hold a leverage ratio less than 2.5.

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The present value of payments of finance lease agreements is as follows:

In thousands of US\$	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	2018	2017	2018	2017	2018	2017
Up to one year	4,871	4,767	(212)	(157)	4,659	4,610
Between one and five years	2,839	2,362	(73)	(39)	2,766	2,323
	7,710	7,129	(285)	(196)	7,425	6,933

Fair value of financial liabilities is as follows:

In thousands of US\$	2018	2017
Up to one year	27,635	32,160
Between one and five years	20,654	8,095
	48,289	40,255

Loans with Scotiabank Perú S.A.A. are backed with: (i) real estate collateral on fixed assets and mortgages on mining concessions; and (ii) trust agreement entered into in May 2007 between the Company, La Fiduciaria S.A., Scotiabank Perú S.A.A., and Company's legal representative. Said trust agreement is effective until loans are fully paid. Trust estate is related to the benefit concession to Santa María I Plant and mining concessions of Minero Pataz EPS 1, Minero Pataz EPS 2, and Minero Pataz EPS 3.

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Reconciliation of movement of liabilities to cash flow arising from financing activities

	Liabilities		Heritage		Total
	Loans and obligations	Financial lease obligations	Capital issued	Other capital reserves	
<i>In thousands of US\$</i>					
Balance as of January 1, 2018	32,549	6,933	46,225	9,245	239,018
Changes for cash flows					
Increase in property, plant and equipment under financial leasing	-	3,016	-	-	3,016
Borrowing	23,600	-	-	-	23,600
Loan repayment	(16,973)	-	-	-	(16,973)
Payment of lease obligations	-	(4,059)	-	-	(4,059)
Other	1,546	1,704	-	-	3,250
Total change for cash flows	8,073	621	-	-	8,694
Effect of exchange rate changes	(1,518)	(129)	(1,833)	(366)	(11,375)
Interest paid	(1,518)	(129)	-	-	(1,647)
Total other changes related to liabilities	(1,518)	(129)	-	-	(1,647)
Issuance of own shares	-	-	19,532	-	(19,532)
Dividend pay	-	-	-	-	(29,259)
Net profit for the year	-	-	-	-	72,688
Constitution of legal reserve	-	-	-	3,906	(3,906)
Total other wealth-related changes (year gain, legal reserve and others)	-	-	19,532	3,906	19,951
Balance as of December 31, 2018	39,104	7,425	63,924	12,785	278,079

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16. Provision for Environmental Remediation

As of December 31, this caption comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Balance as of January 1		9,982	9,686
Updating of fixed asset value	11	(265)	914
Finance costs	29	314	-
Disbursements		530	(928)
Effect of exchange rate		(1,463)	310
Balance as of December 31		9,098	9,982
Less current portion		(937)	(1,236)
Non-current portion		8,161	8,746

On October 14, 2004, Law 28090 became effective establishing the obligations and procedures that holders of mining activities shall follow for the preparation, presentation, and implementation of the Mine Closure Plan as well as the establishment of corresponding environmental guarantees. This Law stated that holders of operating mining units shall present to competent authorities the Mine Closure Plan within a term of 6 months beginning on the effective date of this Law. However, on May 8, 2005, an amendment was approved by which the holder of operating mining units must present to the competent authorities the Mine Closure Plan within a maximum term of one year after the effective date of the regulation of this Law. On August 15, 2005, the Regulation of the Mine Closure Plan was approved by Supreme Decree 033-2005-EM.

Pursuant to this requirement, the Company hired SVS Ingenieros S.A., a consulting company registered with the Directorate-General of Mining Environmental Affairs (DGAAM), for the preparation of the Progressive and Final Closure Plan of Minera Poderosa, which was submitted on August 16, 2006, to the DGAAM of the Ministry of Energy and Mines. On April 14, 2011, this plan was approved by the Director's Resolution 119-2011-MEM-AAM. Also, the Company granted a letter of guarantee to the Ministry of Energy and Mines, which was issued by BBVA Banco Continental for US\$ 15,830 thousand, guaranteeing compliance with the mine closure plan.

As of December 31, 2018, the future value of the provision for mining unit closure amounts to S/ 49,810 thousand. This amount was discounted at an annual adjusted risk-free rate of 2.03% resulting in an asset at present value of S/ 46,645 thousand (2017: S/ 47,543 thousand discounted at 2.89%, respectively). The Company considers that the liability amount recognized in the separate financial statements is sufficient to meet its obligation under the laws of environmental protection in force and approved by the Ministry of Energy and Mines.

The amounts recognized in the separate statement of profit or loss and other comprehensive income are determined as follows:

<i>In thousands of US\$</i>	Note	2018	2017
Depreciation	11	497	529
Accretion of provision for environmental remediation	29	314	-

17. Derivative Financial Instruments

Price hedging agreement

The Company holds ISDA agreements entered into with international financial entities such as Macquarie Bank Limited, Techemet, among others, in order to secure cash flows from its sales. As of December 31, 2018, this type of hedging resulted in a net gain of financial instruments for US\$ 2,083 thousand (2017: net loss for US\$ 359 thousand). Balance as of December 31, 2018, for this hedging amounts to US\$ 287 thousand and is included in 'other accounts receivable' of the separate statement of financial position (2017: US\$ 227 thousand). Hedging matures in March 2019.

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18. Deferred Tax Liabilities

As of 2018 and 2017, this caption comprises the following:

In thousands of US\$	As of January 1, 2017		As of December 31, 2017		As of December 31, 2018	
	Credit (debit) to the separate statement of profit or loss	Effect of movements in exchange rates	Credit (debit) to the separate statement of profit or loss	Effect of movements in exchange rates	Credit (debit) to the separate statement of profit or loss	Effect of movements in exchange rates
Deferred assets						
Cost for mining unit closure	1,588	(128)	1,527	(81)	1,385	(61)
Employees' profit sharing payable	1,813	285	2,163	323	2,400	(86)
Finance lease agreements	274	(20)	263	112	365	(10)
Provision for mining unit closure obligation	285	3	288	(143)	144	(11)
Estimate for accrued vacations	27	(15)	12	3	15	-
Provision for labor claims	88	59	151	126	271	(6)
Special mining tax	926	(127)	831	81	879	(33)
Impairment of inventory	48	-	50	-	48	(2)
Total deferred assets	5,089	57	5,295	421	5,507	(209)
Deferred liabilities						
Excess in amortization of intangibles	(10,252)	(1,522)	(12,138)	(2,295)	(13,952)	481
Property, plant, and equipment	(741)	(84)	(851)	(279)	(1,096)	34
Cost of finance lease asset	(253)	23	(239)	(112)	(342)	9
Total deferred liabilities	(11,246)	(1,583)	(13,228)	(2,686)	(15,350)	524
Deferred liabilities, net	(6,157)	(1,526)	(7,933)	(2,265)	(9,863)	315

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Debit (credit) to profit or loss for deferred tax liabilities for the year ended December 31, was as follows:

In thousands of US\$	Note	2018	2017
Total at the end of year		9,883	7,933
Total at the beginning of year		(7,933)	(6,187)
Effect of movements in exchange rates		315	(220)
Income for the year	23	2,265	1,526

19. Issued Capital

As of December 31, 2018 and 2017, according to the Company's by-laws and amendments, authorized, subscribed and paid-in capital is represented by 216,000,000 and 150,000,000 ordinary shares with a par value of S/ 1 each, respectively.

The General Stockholders' Meeting, held on March 14, 2018, approved the increase of capital stock capitalizing S/ 66,000 thousand of profits from 2015. Such capitalization is recorded in the Public Registry of Lima.

As of December 31, 2018, the Company's ordinary shares are listed in the Lima Stock Exchange at S/ 7.36 per share (2017: S/ 9.00) and has a frequency trading of 16% (2017: frequency trading of 14%).

As of December 31, 2018, the Company's shareholding structure of the issued capital is as follows:

Percentage of individual interest in capital	Number of stockholders	Total percentage of interest
Up to 1	158	95.18%
1.01 to 10	1	0.60%
10.01 to 50	7	4.22%
	166	100.00%

20. Other Capital Reserves

Pursuant to the Companies Act, the Company is required to allocate at least 10% of its net annual profit to a legal reserve, after deducting accumulated losses. This allocation is required until the reserve equals 20% of paid-in capital. The legal reserve must be used to compensate losses in the absence of non-distributed profits or non-restricted reserves, and must be restored with future profits. Legal reserve may also be capitalized, but it shall be subsequently restored.

21. Retained Earnings

Annual Stockholders' Meeting, held on March 14, 2018, approved distribution of dividends for S/ 99,000 thousand (S/ 0.66 thousand per ordinary share) debited to the 2014 and 2017 profits. Payments were initiated in April 2018 and fully offset in August 2018.

Annual Stockholders' Meeting, held on March 2, 2017, approved distribution of dividends for S/ 88,500 thousand (S/ 0.59 thousand per ordinary share) debited to the 2011, 2012, 2013 and 2014 profits. Payments were initiated in March 2017 and fully offset in September 2017.

22. Employees' Profit Sharing

Pursuant to current legislation, employees' profit sharing in the Company's profits corresponds to 8% of the net gains. This profit sharing is considered as a deductible expense for income tax calculation purposes.

In 2018, the Company determined a current employees' profit sharing for US\$ 8,498 thousand (2017: US\$ 7,329 thousand), which was recorded in the following items:

In thousands of US\$	Note	2018	2017
Cost of sales	25	4,851	4,328
Selling expenses	26	13	11
Administrative expenses	27	1,311	1,076
Intangible assets	12	2,323	1,914
		8,498	7,329

As of December 31, 2018, the employees' profit sharing payable amounts to S/ 27,928 thousand (2017: S/ 24,081 thousand), which is included in 'other accounts payable' of the separate statement of financial position (note 14).

23. Tax Matters

Tax rates

A. The Company is subject to Peruvian tax regime. As of December 31, 2018 and 2017, Corporate Income Tax is calculated on the basis of the net taxable income determined by the Company at a rate of 29.5%.

By means of Legislative Decree 1261, published on December 10, 2016, and effective January 1, 2017, the rate applicable to corporate income was modified to 29.5%.

Thus, the rates applicable to Corporate Income Tax for the last taxable years are as follows:

Until year 2014	30.0%
For years 2015 – 2016	28.0%
For year 2017 onwards	29.5%

However, the Decree also established the modification of the Income Tax rate applicable to distribution of dividends and any other form of profit distribution to 5%, in the case of profits generated and distributed since January 1, 2017.

For years 2018 and 2017, the Income Tax rate for distribution of dividends and any other form of profit distribution applicable to legal persons not domiciled in Peru and natural persons is 5.0%.

In summary, the rates applicable to Income Tax on dividends for the last taxable years are as follows:

Until year 2014	4.1%
For years 2015 – 2016	6.8%
For year 2017 onwards	5.0%

It shall be presumed, without otherwise evidence, that the distribution of dividends or any other form of profit distribution corresponds to retained earnings or other items that could generate older taxable dividends.

B. In accordance with current Peruvian tax legislation, non-domiciled individuals only pay taxes for its Peruvian source income. Thus, in general terms, revenues obtained by non-domiciled individuals from the services rendered in the country shall be subject to a 30% Income Tax on gross income, provided that no double tax treaties entered into or effective are applicable. On this concern, currently, Peru has entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical assistance or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15 and 30% Income Tax rate on gross income, respectively. Technical assistance will be subject to a 15% applicable rate provided that Income Tax Law requirements are met. As noted above, retention rate in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

C. Mining Royalties and Special Tax on Mining:
On September 28, 2011, the Peruvian government amended the mining royalty system, effective since October 1, 2011. According to these amendments, mining royalties for metallic and non-metallic mining activities of holders or concessionaires of mining concessions shall be quarterly settled. It shall be determined using the higher amount of: (i) the amount obtained by applying a ladder table of the marginal rates to be applied on the quarterly operating profit adjusted for certain items; and (ii) 1% of net sales of the quarter. These mining royalty payments are deductible for income tax determination purposes in which payments are made.

As of December 31, 2018, the Company's expenses for mining royalties and special tax on mining amounts to S/ 11,766 thousand and S/ 10,236 thousand, respectively (2017: S/ 10,427 thousand and S/ 9,375 thousand).

D. Supplementary Pension Fund for Mining Employees:
Law 29741, issued on July 9, 2011 and approved by Supreme Decree 006-2012-TR, created the Supplementary Pension Fund for Mining, Metallurgical and Steel Employees to provide a supplementary payment other than pension funds for retirement, disability and survivorship to mining, metallurgical and steel employees.

Employees and companies subject to this Law shall make a contribution of 0.5% of the Company's annual income before Income Tax. As of December 31, 2018, the Company has calculated contributions to Supplementary Pension Fund for Mining Employees amounting to S/ 1,580 thousand (2017: S/ 1,367 thousand).

Income tax determination

E. The Company computed its taxable base for the years ended December 31, 2018 and 2017, and determined current tax for US\$ 27,946 thousand and US\$ 24,931 thousand, respectively.

Income tax expense comprises:

In thousands of US\$	Note	2018	2017
Current tax		27,946	24,931
Deferred tax	18	2,265	1,526
Special mining tax		3,133	2,883
		33,344	29,340

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Reconciliation of effective rate of income tax to tax rate is as follows:

<i>In thousands of US\$</i>	2018		2017	
Profit before tax	106,032	100.00%	88,311	100.00%
Income tax (theoretical)	31,279	29.50%	26,052	29.50%
Special mining tax	3,133	2.95%	2,883	3.26%
Tax effect on additions and deductions:				
Permanent differences	(1,068)	(1.01%)	405	0.46%
Recorded current and deferred tax as per effective rate	33,344	31.44%	29,340	33.22%

Temporary tax on net assets

- F. The Company is subject to Temporary Tax on Net Assets whose taxable base is composed of the prior period adjusted net assets value less depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. The tax rate is 0.4% for years 2018 and 2017 and is applied to the amount of net assets exceeding S/ 1,000 thousand. It may be paid in cash or in nine consecutive monthly installments. The paid amount may be used as a credit against payments on account of income tax general regime for fiscal periods from March to December of the taxable period in which the tax was paid until maturity date of each of the payments on account, and against the settlement of the income tax for the corresponding taxable period. In the event a remaining balance is not applied, its refund could be requested. The Company has determined that the Temporary Tax on Net Assets for 2018 amounts to S/ 3,336 thousand (2017: S/ 3,036 thousand).

Tax on financial transactions

- G. Tax on Financial Transactions for years 2018 and 2017 was fixed at the rate of 0.005%. This tax is applied on debits and credits in bank accounts or movements of funds made through the financial system, unless the account is tax-exempt.

Transfer pricing

- H. For Income Tax determination purposes, transfer pricing for transactions carried out with related parties and companies domiciled in territories with low or zero taxation shall be supported with documents and information on valuation methods and criteria used for their determination. Until taxable period 2016, formal obligations of Transfer Pricing were the presentation of a transfer pricing sworn statement and technical study.

Legislative Decree 1312 published on December 31, 2016, and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued income exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued income of the group exceeds 20,000 UIT); and (iii) presentation of a Country-by-Country Reporting (if 2017 accrued, consolidated income of the multinational group's parent company exceeds S/ 2,700,000,000 or EUR 750,000,000). The latter two files are required for transactions corresponding to year 2017 onwards.

According to Tax Authorities' Resolution 014-2018-SUNAT published on January 18, 2018, the Electronic Form 3560 was approved for presentation of the Local File, establishing the deadlines for its presentation and the content and format that should be therein included.

Thus, the deadline for the presentation of the Local File for the taxable year 2018 will be June 2019, in accordance with the maturity schedule agreed for May and published by the Tax Authorities.

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The content and format of the Local File are stated in the Appendixes I, II, III and IV of the Tax Authorities' Resolution 014-2018-SUNAT.

Likewise, Legislative Decree 1312 also established that intra-group services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documents and information under specific conditions for the deduction of costs or expenses.

Legislative Decree 1116 established that Transfer Pricing Standards are not applicable to sales tax purposes.

As of December 31, 2018, the Company does not need to submit any of the files described above.

Tax assessment by tax authorities

- I. Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Company within the four years following the year of the tax return filing. The Company's income tax returns for the years 2013 through 2017 are open for review by the Tax Authorities. Income tax returns for years 2010 and 2012 were reviewed by the Tax Authorities and returns for year 2015 are under review. The Company's income tax returns for years 2012 (July) through 2018 are open for review by the Tax Authorities.

Due to the possibility of various interpretations by the Tax Authorities of the current legal regulations, it is not possible to determine, to date, whether a future tax audit will result or not in liabilities for the Company. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss for the period in which they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the separate financial statements as of December 31, 2018 and 2017.

Tax regime applicable to sales tax

- J. Legislative Decree 1347 published on January 7, 2017, established the reduction of one percentage point in the Sales Tax as from July 1, 2017, provided that the goal of annual sales tax collection as of May 31, 2017, is reached, net of internal refunds of 7.2% of GDP. In other words, if the aforementioned is met, the Sales Tax rate (including the municipal tax) will be reduced from 18 to 17%.

However, the estimated collection goal was not met at the end of the term, so the Sales Tax rate shall be held at 18%.

Major amendments to tax laws effective for periods beginning on January 1, 2019

- K. **New regulatory concept of accrual:** Legislative Decree 1425 introduced the definition of "legal accrual" for Income Tax purposes, stating that income for: a) transfer of goods occurs when i) the transfer of control is applied (in accordance with IFRS 15); or ii) there is a risk transfer to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) service provision, there is a level to which the service is provided.

The new legal accrual concept is applicable to lessees for purposes of establishing the tax treatment of the expense associated with lease agreements regulated by IFRS 16 (operating leases for tax purposes).

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The concept serving as comment will not be applicable for those entities accruing income or expenses for Income Tax in accordance with tax provisions establishing a special (sectorial) regime of accrual.

- L. **Thin capitalization:** Beginning in 2019 and until December 31, 2020, the finance cost generated by debts of independent and related parties is subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. As of January 1, 2021, finance cost will be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 UIT, infrastructure, public services, among others.
- M. **Sixth Method:** Entities of exporting and/or importing commodities and semi-commodities shall determine the market value of their operations with related parties considering the quoted price agreed by the parties in compliance with certain requirements of timely reporting (i.e., agreement, incoterm, commodity type, unit of measurement, quantity, stock exchange, refining costs, premiums and discounts, among others) to the Tax Authorities. Otherwise, they shall recognize as market value the quotation at the end of the shipping of exports and the unloading date of imports. The method for determining the market value does not abolish the implementation of the new legal accrual concept for exports revenue recognition. Thus, the company is required to assess the financial and tax consistency of revenue recognition by reviewing and/or adjusting said policy to the new legal standard in order to avoid, for tax purposes, early revenue recognition or its undue deferral. A reconciliation between financial and tax treatment is required.
- N. **Deduction of expenses or costs incurred in operations with non-domiciled individuals:** Legislative Decree 1369 requires that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals must be paid effectively to be deducted in the year they were incurred. If not, its impact on the determination of net income will be deducted in the year they are actually paid and the corresponding withholding will be applied.
- The aforementioned standard abolished the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and/or expense.
- O. **Indirect Credit:** As of January 1, 2019, under certain requirements, domiciled entities deriving foreign inbound dividends may deduct as direct credit the Income Tax that taxed the foreign dividends and the Corporate Income Tax (indirect credit) paid by the tier 1 and tier 2 non-domiciled entity (provided they are in the same jurisdiction) that distributed the dividends from abroad.
- P. **Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:** Legislative Decree 1422 set up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012, are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of Tax Authorities' officers (said opinion is not appealable); and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a one (01) year term to request information from the audited parties.

Likewise, as of the date of preparation of this note, the General Anti-avoidance Rule is not effective until the issuance of the corresponding supreme decree setting the formal and substantial parameters of Regulation XVI of Tax Code.

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- Q. **Information related to ultimate beneficiaries:** In line with the regulations to strengthen the fight against tax evasion and avoidance, as well as against money laundering and terrorism financing, as of August 3, 2018, provisions introduced by Legislative Decree 1372 are currently in force. The aforementioned require the presentation of information related to ultimate beneficiaries to the competent authorities by means of a sworn statement of the ultimate beneficiaries. Said statement shall disclose who the natural persons that actually have ownership or control in legal persons or entities are. Thus, it is mandatory to report the following: (i) identification of the ultimate beneficiary; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have said information, if applicable. It also states that the information related to identification of the ultimate beneficiaries of legal persons and entities presented to the competent authorities, in line with these regulations, does not represent a breach of professional secrecy and is not subject to restrictions on the information disclosure associated with confidentiality enforced by contractual means or by any legal or regulatory provision.

Lastly, if the informative sworn statement with the information related to the ultimate beneficiary is not presented, the legal representatives of the entity that failed to comply with the presentation of said statement will assume the joint and several liability.

- R. **Indirect transfer of shares:** As of January 1, 2019, an anti-avoidance measure is included to prevent the split of operations, which allows indirect transfer of shares of companies domiciled in Peru.

Thus, in order to determine if in a 12-month period the transfer of 10% or more of the Peruvian company's capital has been executed, transfers of the analyzed individual and transfers to its related parties shall be considered, whether transfers are executed by one or several (simultaneous or successive) operations. The latter shall be set up in accordance with provisions of section b) of article 32-A of the Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be established when, over any period of 12 months, the total amount of transferred shares of the Peruvian legal person is equal to or greater than forty thousand (40,000) UIT.

Lastly, as of January 1, 2019, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable. Thus, the latter is required to provide information, among other, regarding the transferred shares or interest of the non-domiciled legal person.

- S. **Joint and several liability of legal representatives and Directors of the companies:** As of September 14, 2018, by means of Legislative Decree 1422, when an audited individual is subject to the General Anti-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributed to said representatives provided they collaborated with the design or approval or execution of acts, situations or economic relations with an avoidance purpose.

The aforementioned standard also involves the members of the Company's Board of Directors, since it is stated that these individuals are responsible for setting the tax strategy of the companies where they are directors. Thus, the latter are responsible for determining whether or not to approve the acts, situations or economic relations carried out within the tax planning; and in accordance with this standard, directors cannot delegate said responsibility.

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Lastly, members of the domiciled companies' Board of Directors were granted a term, with maturity on March 29, 2019, within which they are required to verify or modify the acts, situations or economic relations carried out within the tax planning and implemented as of September 14, 2018, that have tax effect to date.

Considering said term established for compliance with said formal obligation, the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of definition of "tax planning", it will be crucial to review any act, situation or economic relation that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes for the aforementioned periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter, if the company to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

24. Revenue

This caption comprises the following:

<i>In thousands of US\$</i>	2018	2017
Bullion	357,924	319,773
Participation in dollar	(5,100)	(4,012)
	352,824	315,761

Revenue from laboratory services are included in the balance of Bullion, which as of December 31, 2018, represent 0.1% of the total revenue from the bullion sale (2017: 0.1%).

Participation in sales corresponds to payments made by the Company to holders of certain mining concessions in accordance with the corresponding exploitation rights license agreements. These payments are based on a percentage on the value of the gold bullion sold by the Company.

As of December 31, 2018 and 2017, the Company has entered into 10 participation in solar agreements. These agreements do not have maturity date and percentages of participation in dollar range from 0.07% to 6%.

25. Cost of Sales

This caption comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Opening inventory of finished goods		5,930	3,015
Closing inventory of goods-in-process		381	384
Cost of production (*)		216,689	203,581
Osinergmin and OEFA		894	838
Closing inventory of finished goods	9	(5,220)	(5,930)
Closing inventory of goods-in-process	9	(295)	(381)
		218,379	201,507

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(*) The cost of production mainly comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Artisanal miners		65,139	63,234
Amortization	12	43,305	39,327
Cleaning up of camps and metal-mechanic		23,943	20,436
Mining work of contractors		17,246	16,457
Personnel expenses	28	13,587	13,317
Use of materials and supplies		10,346	9,884
Transportation and storage		9,926	9,793
Depreciation	11	8,098	7,485
Employees' profit sharing	22	4,851	4,328
Rental of machinery and equipment		5,130	4,931
Electric power		2,138	2,489
Security service		3,009	3,218
Civil construction contractors		2,438	2,270
Sampling and analysis		1,252	1,256
Repairs and maintenance		2,253	2,056
Advisory and consulting on geology, mine and plant		1,033	847
Landline and mobile phones, Internet and satellite link		244	252
Software license expenses		276	225
Other minor costs		2,475	1,776
		216,689	203,581

26. Selling Expenses

This caption comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Third party services		856	774
Personnel expenses	28	41	37
Depreciation	11	10	10
Employees' profit sharing	22	13	11
Other minor expenses		48	44
		968	876

Third party services mainly include land and air transportation for the sale of gold bullion, as well as overseas refining expenses.

27. Administrative Expenses

This caption comprises the following:

<i>In thousands of US\$</i>	Note	2018	2017
Personnel expenses	28	10,691	9,558
Employees' profit sharing	22	1,311	1,076
Third party services (*)		4,147	4,021
Various charges for operations (**)		6,727	5,326
Mining Royalty – Law 29788	23.C	3,577	3,203
Provision for litigation		1,241	203
Depreciation	11	985	809
Other minor expenses		160	175
		28,839	24,371

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(*) Services received by third parties mainly comprise the following:

In thousands of US\$	Note	2018	2017
Advisory and consulting		1,483	1,515
Land and air transportation of employees		428	375
Environmental management		336	337
Rental of offices		17	60
Rental of equipment		401	364
Security service		235	225
Satellite link, landline and mobile phones		115	126
Accommodation and food		123	128
Electric power		69	90
Bank expenses		102	153
Other services		838	648
		4,147	4,021

(**) Various charges for operations mainly comprise the following:

In thousands of US\$	2018	2017
Insurance	2,368	1,838
Donation expenses	3,888	3,074
Other services	471	414
	6,727	5,326

28. Personnel Expenses

This caption comprises the following:

In thousands of US\$	Note	Cost of sales (note 25)		Selling expenses (note 26)		Administrative expenses (note 27)	
		2018	2017	2018	2017	2018	2017
Wages	14.B	6,850	7,026	26	24	2,469	2,374
Security and social provision		2,108	1,782	4	4	414	390
Legal bonuses		1,223	1,153	4	4	430	411
Other personnel expenses		1,308	1,117	2	-	376	197
Other remunerations		888	981	-	-	191	84
Severance payment		676	725	3	3	258	242
Vacations		534	533	2	2	206	188
Board of directors' remuneration	14.B	-	-	-	-	6,347	5,672
		13,587	13,317	41	37	10,691	9,558

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29. Financial, Net

This caption comprises the following:

In thousands of US\$	Note	2018	2017
Finance income			
Interest on time deposits		200	214
Interest on loans		96	110
Gain on derivative financial instruments		2,113	-
		2,409	324
Finance costs			
Loss on derivative financial instruments (a)		-	(361)
Interest on short-term and long-term loans		(1,225)	(1,172)
Interest on financial liabilities discounts		(79)	(95)
Market value expenses		(52)	(32)
Revaluation expense of the provision for environmental remediation	16	(314)	-
Other minor costs		(213)	(83)
		(1,883)	(1,743)

(a) Derivative financial instruments seek to cover the volatility and foreign exchange risks of the commodity (gold) to which the Company is exposed in order to protect the business' profit or loss, which resulted in gains and losses as of December 31, 2018 and 2017, respectively.

30. Earnings per Share

Earnings per ordinary and investment share are as follows:

In thousands of US\$	2018	2017
Profit attributable to the year	72,688	58,971
Denominator		
Outstanding shares	216,000,000	150,000,000
Earnings per ordinary share (in dollar)	0.337	0.393

31. Environment

The Company's activities are regulated by the Single Revised Text of General Mining Law approved by Supreme Decree 014-92 EM; General Environmental Law – Law 28611, which abolishes the Environment and Natural Resources Code approved by Legislative Decree 613; Regulation on Environmental Protection and Management for Mining and Metallurgical Activities approved by Supreme Decree 040-2014-EM. In compliance with these standards, the Company has performed environmental studies according to the Environmental Management and Adjustment Program (PAMA, for its Spanish acronym), which was submitted to the Ministry of Energy and Mines on July 31, 1996, and approved on March 27, 1997, through Directors' Resolution 129-97 EM/DGM for US\$ 1,360 thousand. On September 21, 1999, the Company submitted an amendment to the PAMA, which was approved through Directors' Resolution 41-2001EM/DGAA on February 8, 2001, for US\$ 1,571 thousand, with a deadline of implementation until December 31, 2001.

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Directors' Resolution of the Ministry of Energy and Mines 028-2003-CM/DGM dated January 27, 2003, approved the 18 PAMA investment projects for US\$ 1,576 thousand. These expenditures were mainly used in the improvement and expansion of existing tailing ponds, evaluation and selection of new tailing ponds, better use of waste, dust control on roads and land rehabilitation through reforestation programs and reducing wood consumption inside the mine. Likewise, the Company has been complying with the Environmental Impact Studies of the Santa María I Plant, approved through Directors' Resolution 186-2013-MEM/AAM dated June 11, 2013, under File 199-2013-MEM-AAM/RPP/MPC/ADB/MAA/MLI; of the Consuelo Mine, approved through Directors' Resolution 353-201-EM/DGAA dated November 16, 2000; and of the Marañón Plant, approved through Directors' Resolution 450-2014-MEM-DGAAM dated September 1, 2014, under File 921-2014-MEM-DGAAM/B dated August 28, 2014. The aforementioned Environmental Impact Studies establish management plans and comprise management of tailing, waste rock, community relations, and mine and plant effluent monitoring programs.

As of December 31, 2017, investment expenses and maintenance and follow-up costs of the 18 PAMA projects, which correspond to the fourth quarter of 2017, amounted to US\$ 909 thousand in the Poderosa Production Unit and cumulative expenses amounted to US\$ 469 thousand. Regarding the fourth quarter of 2017, environmental management expenses amounted to US\$ 964 thousand in Poderosa de Trujillo, Libertad, Suyubamba, Lavasen, Condormarca and Montañitas administrative economic units. As of December 31, 2017, cumulative expenses amounted to US\$ 3,693 thousand. As of December 31, 2017, PAMA and Environmental Management cumulative expenses amounted to US\$ 4,602 thousand.

As of December 31, 2018, the Company used US\$ 194 thousand during the fourth quarter to carry out the 2018 progressive closure of the Poderosa Mining Unit in accordance with the Mine Closure Plan amounting to US\$ 791 thousand.

As of December 31, 2018, investment expenses and maintenance and follow-up costs of the 18 PAMA projects, which correspond to the fourth quarter of 2018, amounted to US\$ 477 thousand in the Poderosa Production Unit and cumulative expenses amounted to US\$ 1,372 thousand. Regarding the fourth quarter of 2018, environmental management expenses amounted to US\$ 1,125 thousand in Poderosa de Trujillo, Libertad, Suyubamba, Lavasen, Condormarca and Montañitas administrative economic units. As of December 31, 2018, cumulative expenses amounted to US\$ 4,493 thousand. As of December 31, 2017, PAMA and Environmental Management cumulative expenses amounted to US\$ 5,865 thousand.

32. Contingencies and Commitments

As of December 31, 2018, the Company has the following contingencies:

A. Tax proceedings

- i. Tax Adversary Proceeding: Income tax for year 2003 – File 3867-2011.
As a result of our review of 2003 income tax, on January 24, 2007, the Company received the Tax Assessment Resolution 012-003-0011644 and Fine Resolution 012-002-0011153 dated January 17, 2007, from the Tax Authorities for an alleged infringement according to article 178 (1) of the Tax Code, which determined objections that decreased the tax loss for the year 2003 by S/ 11,436 thousand and a fine of S/ 2,789 thousand (excluding interest) for an alleged loss unduly stated in tax returns.

On February 21, 2007, a claim was submitted under File 015-03-40007511, which challenged the objections made by Tax Authorities related to (i) the amortization of intangible assets not supported for S/ 5,065 thousand; and (ii) the loss recorded in account 679002 (hedging) not supported for S/ 5,913 thousand.

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On December 30, 2010, Tax Authorities issued the Resolution 0150140009513, which was notified on February 2, 2011, declaring invalid the claim against the aforementioned resolution.

On February 22, 2011, the Company filed an appeal against the aforementioned Resolution, which was signed by the Tax Court under File 0038672011-2011. Likewise, the Company requested an extension on April 5, 2011.

To date, the aforementioned appeal is pending resolution in the Third Division of Tax Court.

- ii. Tax Adversary Proceeding: Mining royalties for December 2005 - File 9766-2011.
Tax Authorities determined an omission in the payment of mining royalties for December 2005, since the Company's payment in excess for March 2005 was not recognized. Therefore, on November 12, 2010, the Payment Order 011-001009-0497 amounting to S/ 57 thousand was issued.

On November 29, 2010, the Company filed a claim against said payment order; however, it was declared invalid through Resolution 0150140009849 dated June 30, 2011. Therefore, the collection of said tax debt was ordered.

On August 15, 2011, the Company filed an appeal against the aforementioned Resolution, which was signed by the Tax Court under File 9766-2011.

On May 25, 2017, the Tax Court issued the Resolution 04609-4-2017 ordering Tax Authorities to rule upon the payment request dated February 15, 2006, which was submitted by the Company.

On December 27, 2017, the Company received the Resolution 0110190000143 through which Tax Authorities reversed the Payment Order 0110010090497 and declared as partially valid the payment request submitted by the Company dated February 15, 2006.

Consequently, the debt for mining royalties for the period from December 2005 to date is settled. Therefore, the proceeding is closed and was favorable to Poderosa.

- iii. Tax Adversary Proceeding: Income tax for the year 2009 – File 12866-2012.

By means of Requirement 0121110000224 dated June 10, 2012, the 2009 audit began. On January 9, 2012, Tax Authorities sent the Tax Assessment Resolution 012-003-0027240, which estimates an omission in payment amounting to S/ 3,881 thousand for 2009 income tax and S/ 980 thousand for accrued interest on overdue payment until December 28, 2011.

Likewise, the Company received the Fine Resolution 012-002-0019173 for S/ 1,941 thousand and S/ 495 thousand for accrued interest on overdue payment until December 28, 2011.

On February 6, 2012, the Company filed a claim against the tax assessment and fine resolutions before the Tax Authorities, which was declared invalid through Resolution 0150140010367 dated June 28, 2012. On August 21, 2012, the Company filed an appeal against the aforementioned Resolution, which was signed and sent under File 12866-2011 to the First Division of Tax Court. It is pending resolution.

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- iv. Tax Adversary Proceeding: By means of Requirement 0122130002404 dated September 17, 2013, Tax Authorities began the 2010 income tax audit.
- On November 23, 2015, the Company received the Tax Assessment and Fine Resolutions amounting to S/ 4,010 thousand and S/ 5,630 thousand, respectively, for the settlement of 2010 Income Tax considering various objections.
- On December 22, 2015, the Company filed a claim against said amounts under Claim File 0150340014337.
- On February 6, 2017, the Company received the Resolution 0150140013039, which declared invalid the claim filed by the Company for the Payments on Account and related fines.
- Likewise, it declared invalid the Tax Assessment Resolution 0120030064043 and Fine Resolution 0120020026838.
- On February 22, 2017, the Company filed an appeal against the Resolution 0150140013039 (Appeal File 0150350009271), which was given to the Fourth Division of Tax Court (File 3713-2017).
- On July 19, 2017, the Company received the Tax Assessment and Fine Resolutions for the settlement of 2010 Income Tax. Poderosa has filed the corresponding claim.
- The appeal was given to the Fourth Division and is pending resolution (File 3713-2017).
- On April 11, 2018, the Company received the Resolution 0150140014062, which declared invalid the claim.
- On May 2, 2018, the Company filed an appeal against the Resolution 0150140014062 (File 0150350009271), which was given to the Fourth Division of Tax Court (File 6716-2018).
- v. Tax Adversary Proceeding: Sales Tax for the year 2011
By means of Requirement 0122150002226, Tax Authorities notified the beginning of the 2011 final sales tax audit.
- On June 20, 2016, the Company received the Tax Assessment Resolutions 012-003-00072747, 012-003-0072748, 012-003-0072749, 012-003-0072750, 012-003-0072751, 012-003-0072752, 012-003-0072753, 012-003-0072754, 012-003-0072755, 012-003-0072756, 012-003-0072757 and 012-003-0072758 for Sales tax - Proprietary Account for periods from January to December 2011, whereby Tax Authorities did not recognize the tax credit arisen from the merger between the Company and Compañía Aurífera Suyubamba S.A.
- The merger had tax effects on August 1, 2011; therefore, the tax credit from Compañía Aurífera Suyubamba S.A. was included in the determination of the Sales Tax. Said tax credit amounted to S/ 948 thousand and was not included in the assessment made by the Tax Authorities.
- On July 18, 2016, the Company filed a claim against the aforementioned resolutions before the Tax Authorities, which was signed and sent under File 0150340014887. It is pending resolution.

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- Finally, on September 4, 2017, the Company received the outcome of Requirement 0122170001730 (Sales Tax Audit for the period from August to December 2011), which recognizes the tax credit arisen from the merger between the Company and Compañía Aurífera Suyubamba S.A. in August 2011. The aforementioned will be reported to the Tax Authorities in charge of this file.
- vi. Tax Adversary Proceeding: Income tax for the year 2011
By means of Requirement 0122150002962 dated October 22, 2015, Tax Authorities notified the beginning of the 2011 partial income tax audit.
- On June 10, 2016, the Company received the tax Assessment Resolution 012-003-0073122 and Fine Resolution 012-002-0028536 from the Tax Authorities.
- On July 6, 2016, the Company filed a claim under File 0150340014855, which is pending resolution.
- vii. 2013 Income Tax Audit
By means of Letter 0620-2014-SUNAT/6D3400 dated October 21, 2014, Tax Authorities began the 2013 income tax audit.
- On February 11, 2015, the Company complied with the information delivery through magnetic media in accordance with its request for production of documents related to the Income Tax for that year, which is pending.
- viii. Tax Adversary Proceeding: Income tax for the year 2012 – File 18995-2015
By means of Letter 130011423740-01/SUNAT dated December 27, 2013, the beginning of the 2012 audit was notified.
- On January 8, 2015, the Company received the Tax Assessment Resolution 012-003-0054725 for the settlement of 2012 Income Tax, which stated the following objections: (i) Non-accredited advisory and administrative consulting services; (ii) Ore stockpiles not recognized as goods-in-process or Productivity bonus qualified as a discretionary benefit; and (iii) Adjustments for temporary objections of 2009 audit amounting to S/ 1,639 thousand.
- On February 5, 2015, the Company filed a claim against the Tax Assessment Resolution 012-003-0054725 for the settlement of 2012 Income Tax.
- On November 26, 2015, the Company received the Resolution 0150140012135, which declared invalid the claim under File 0150340013790 dated February 5, 2015.
- On December 18, 2015, the Company filed an appeal against the aforementioned Resolution (File 0150350008605), which was signed and sent under File 18995-2015 to the Third Division of Tax Court. To date, it is pending resolution.
- ix. Tax Adversary Proceeding: 2010 Sales Tax – File 7616-2017
On June 10, 2016, the Company received the Tax Assessment and Fine Resolutions for Sales tax - Proprietary Account for the periods from January to December 2010, which stated the following objections: (i) Advisory and Consulting services (amounting to S/ 80 thousand); and (ii) Undue tax credit on the payment to the Compañía Minera La Montaña S.A.C. (amounting to S/ 106 thousand).
- On July 6, 2016, the Company filed a claim against said amounts under Claim File 0150340014855.

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On May 11, 2017, the Company received the Resolution 0150140013241, which declared invalid the claim.

On June 1, 2017, the Company filed an appeal against the Resolution 0150140013241 (File 0150350009486).

Said appeal was given to the Fourth Division of Tax Court and is pending resolution. (File 7616-2017)

- x. Tax Adversary Proceeding: 2016 Income Tax – Appeal File 12700-2018.
On April 16, 2018, the Company received the Payment Order 011-001-0123057 for the alleged omission in the settlement of 2016 Income Tax.

When issuing the Payment Order, the Company did not consider the payment made in June 2016 with the unused balance of the Certificate of Regional and Local Public Investment 0141 for S/ 267 thousand in 'other credits allowed by law', thus this amount was seen as not paid.

On April 26, 2018, the Company filed a claim against said amounts under File 0150340014855. On August 10, 2018, the Company received the Resolution 015-014-0014257, which declared invalid the claim. On August 29, 2018, the Company filed an appeal, which was submitted to the Tax Court and given to the Ninth Division (File No. 12700-2018).

Management and its legal advisors estimate that, since there are sound legal arguments as to obtain a favorable result, the outcome of these proceedings will not have a significant impact on the Company's separate financial statements.

B. Legal proceedings

As of December 31, 2018, there are several claims pending resolution against the Company, charging for: a) compensation for damages and losses resulting from non-contractual liability and others for S/ 450 thousand; b) obligation to pay US\$ 1,200 thousand; c) nullity of the administrative act for S/ 4,306 thousand; and d) social benefits, compensation for violations of labor standards to former employees of the Company and contractors for S/ 34,529 thousand.

Management and its legal advisors estimate that, since there are sound legal arguments as to obtain a favorable result, the outcome of these proceedings will not have a significant impact on the Company's separate financial statements.

C. Guarantees

As of December 31, 2018, the Company has the following letters of guarantee:

- Letter of guarantee with BBVA Banco Continental for US\$ 15,830 thousand with maturity on January 11, 2019, which was granted in favor of the Ministry of Energy and Mines to guarantee the Company's mine closure plans.
- Letter of guarantee with Banco Santander Perú S.A. for US\$ 16,587 thousand with maturity on January 10, 2020, which was granted in favor of the Ministry of Energy and Mines to guarantee the Company's mine closure plans.
- Letter of guarantee with BBVA Banco Continental for US\$ 155 thousand with maturity on March 15, 2019, which was granted in favor of the Ministry of Energy and Mines to guarantee the compliance with the V9D Transmission Line – Nueva Ramada Substation Project.

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- Letter of guarantee with Scotiabank Perú S.A.A. for US\$ 209 thousand with maturity on November 4, 2019, which was granted in favor of the Ministry of Energy and Mines to guarantee the compliance with the Project of Transmission Line 138 kV to Lagunas Norte Nueva Substation – LPC II Substation – Cativen II Substation and Transmission Line 60 kV LPC II Substation – LCP I Substation.
- Letter of guarantee with Scotiabank Perú S.A.A. for S/ 1,825 thousand with maturity on April 25, 2019, which was granted in favor of the Ministry of Energy and Mines to guarantee the compliance with the project of hydropower exploitation of river Lavasen and Quishuar basins - Cativen I and II Hydroelectric Power Plant.
- Letter of guarantee with Scotiabank Perú S.A.A. for S/ 237 thousand with maturity on January 31, 2019, which was granted in favor of the Regional Government of La Libertad to guarantee the compliance with the project related to Construction of Sprinkler Irrigation System in Sol Naciente Rural Community.
- Letter of guarantee with Scotiabank Perú S.A.A. for S/ 193 thousand with maturity on May 17, 2019, which was granted in favor of the District Municipality of Patate to guarantee the compliance with the project related to Construction of Library Park in the Community of Patate.

D. Operating leases

As of December 31, 2018 and 2017, the Company has entered into operating lease agreements with some assets. As of December 31, expense incurred by the leases is as follows:

<i>In thousands of US\$</i>	2018	2017
Land	60	40
Buildings	121	206
Machinery	2,025	2,299
Vehicles	2,098	2,491
Various equipment	2,730	3,043
	7,034	8,079

The minimum payments for maturity date of the operating leases are as follows:

<i>In thousands of US\$</i>	2018	2017
Buildings		
Up to 1 year	120	148
1 - 5 years	18	141
More than 5 years	4	7
	143	296

33. Subsequent Events

Between January 1, 2019, and until the reporting date (January 31, 2019), there have not been any material events that may require adjustments or disclosure as of December 31, 2018.

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34. Proven and Probable Reserves and Mineral Resources (Unaudited)

Resources

The Company's resources as of December 31, 2018 and 2017, are summarized as follows:

A. As of December 31, 2018 and 2017, the Company's mineral resources are as follows:

	Metric Tons	Ore grade	Fine content (kg)
Year 2018	1,344,904	17.00 grs/gold	22,861
Year 2017	1,281,688	16.62 grs/gold	21,296

As of December 31, 2018 and 2017, the processed ore, precipitated mineral and its respective grades are as follows:

	Metric Tons	Ore grade	Fine content (kg)
Year 2018	500,187	19.12 g/gold	8,695
Year 2017	488,213	17.90 grs/gold	7,919

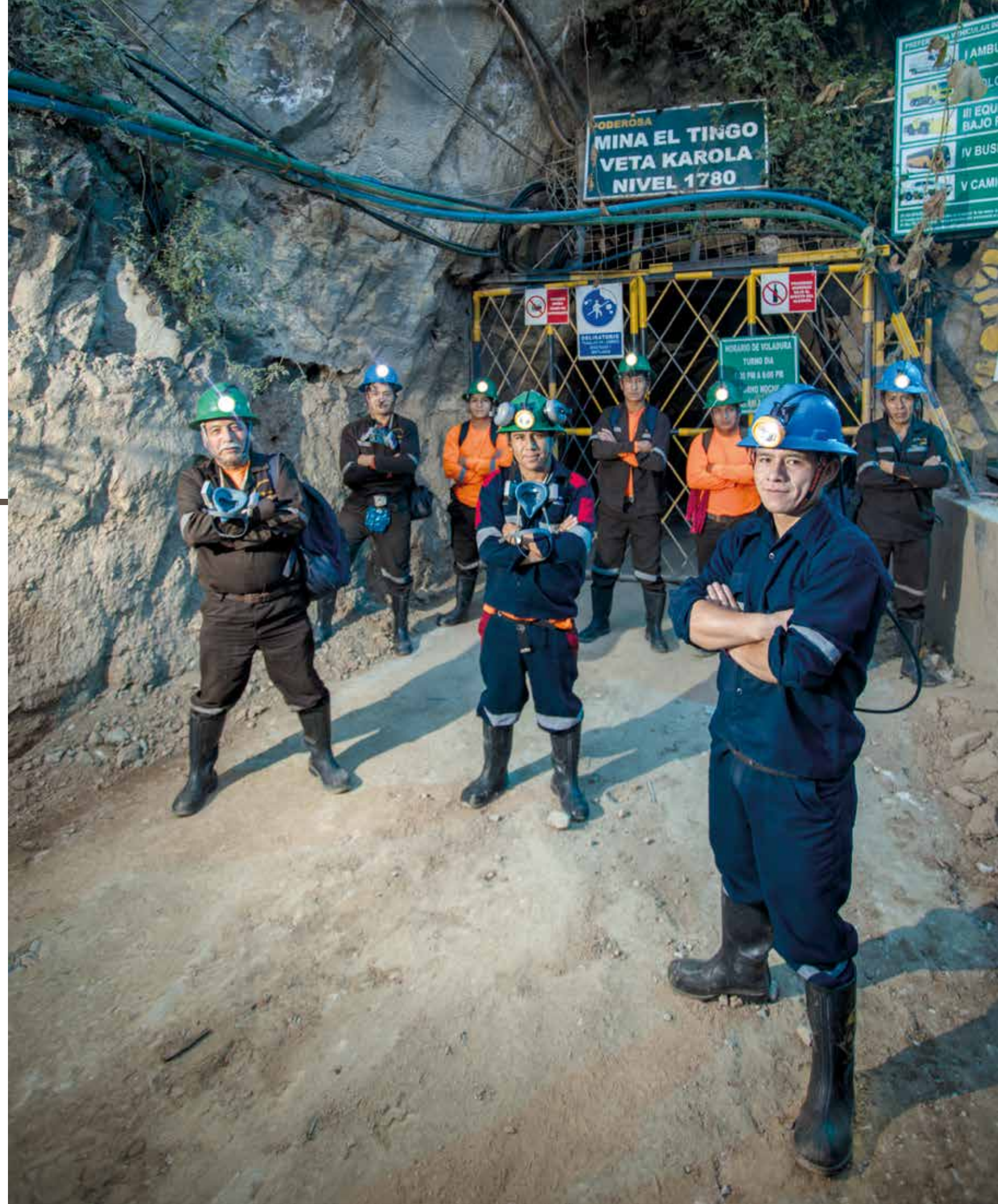
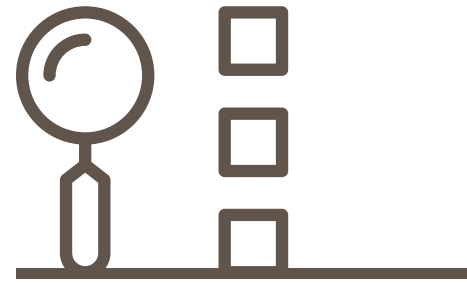
B. As of December 31, the mineral volumes are as follows:

<i>Ounces</i>	2018	2017
Production	279,537	254,600
Sale	279,543	250,710



CHAPTER 8

independent
external
verification



Carta de Verificación Externa – Informe Anual de Sostenibilidad de Poderosa

Lima, 02 de agosto de 2019

Señores
Compañía Minera Poderosa S.A.
Santiago de Surco, Lima - Perú
Presente.-

De nuestra consideración:

La verificación externa realizada por Responde tiene la finalidad de confirmar que el Informe Anual de Sostenibilidad 2018 de Compañía Minera Poderosa (en adelante Informe) se ha elaborado de conformidad con los Estándares de la Global Reporting Initiative (GRI) en su opción Esencial.

El procedimiento para dicha verificación ha sido el siguiente:

1. Lectura y análisis del Informe de acuerdo a los "Principios de Elaboración de Memorias" para la definición del contenido y su calidad descritos en "GRI 101: Fundamentos" de los Estándares GRI.
2. Verificación exhaustiva del índice GRI y del cumplimiento de los Contenidos Generales, Contenidos de Enfoques de Gestión y Contenidos Temáticos.
3. Identificación de fortalezas y oportunidades de mejora en el proceso de reporting y despliegue de los contenidos informados.
4. Emisión de comentarios y recomendaciones pertinentes para la subsanación del Informe.
5. Revisión de la versión final del Informe.

A continuación una breve descripción del análisis realizado y las recomendaciones para futuros Informes de Sostenibilidad:

A. Cumplimiento de Contenidos Generales, Contenidos de Enfoques de Gestión y Contenidos Temáticos para la conformidad Esencial:

El Informe cumple con los principios del Estándar GRI para la elaboración de reportes de sostenibilidad, tanto aquellos referidos a la definición del contenido como los relacionados a su calidad.

Desarrolla adecuadamente los Contenidos Generales necesarios para un informe de conformidad Esencial y establece los Contenidos Temáticos de acuerdo a su análisis de materialidad, definiendo los siguientes temas:

- Desempeño económico
- Gestión de operaciones: producción

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- Seguridad y salud ocupacional
- Gestión de materiales
- Gestión de agua
- Gestión de emisiones gaseosas
- Gestión de la energía
- Respeto a la biodiversidad
- Plan de cierre de mina
- Forestación
- Monitoreo participativo
- Prácticas laborales y trabajo digno
- Relaciones comunitarias
- Formalización de mineros artesanales
- Proveedores

B. Proceso de materialidad e inclusión de grupos de interés

El Informe describe el proceso de revisión de la materialidad realizado en el 2018, cuyo principal insumo fue la materialidad de 2014. Se menciona que el listado de temas materialidad se mantiene. Como oportunidad de mejora, se recomienda establecer una priorización de los temas materiales, la misma que podría ser presentada en una matriz de materialidad en lugar de una lista temática.

Respecto de los grupos de interés, se recomienda evaluar para el siguiente proceso la participación directa de los grupos de interés. Ello permitirá añadir en el reporte las preocupaciones de los grupos y los compromisos asumidos con estos.

Por último, se destaca la incorporación de una declaración de sostenibilidad en el Informe, como parte del enfoque de gestión.

C. Información exhaustiva de acuerdo a su enfoque e indicadores de gestión

Se destaca la amplia información de los indicadores de gestión a nivel económico, social y ambiental; lo que permite a los grupos de interés un conocimiento del desempeño de la empresa, considerando el nivel nacional como internacional. Además, difunde suficiente información sobre su sistema de gobierno corporativo y la historia profesional de sus directores y principales funcionarios.

Es notable el esfuerzo que se realiza para describir los Contenidos de Enfoque de Gestión en cada uno de los temas materiales, planteando la identificación, análisis y respuesta a los reales y potenciales impactos identificados.

D. Elementos que definen la calidad del informe

El Informe presenta de manera adecuada las metas logradas y lecciones aprendidas para mejorar su gestión. Esta información se puede contrastar con anteriores Informes, porque brinda datos sistematizados que indican la evolución del desempeño de la compañía. Se destaca la puesta en valor del tema de seguridad y salud ocupacional.

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E. Oportunidades de mejora para futuros procesos y publicación de Informes

- Se recomienda valorar la extensión del Informe. Puede evaluarse una presentación más concreta de la descripción del contexto y explicación del enfoque de gestión, que permitiría una lectura ágil y una comprensión de las decisiones y acciones de la Compañía. Se recomienda también difundir el Informe más cerca al término del año reportado.
- Si bien existe una amplia información sobre la gestión de la compañía, la selección de la información debe ser lo más precisa posible para responder a las indicaciones que establecen los Contenidos Temáticos. Se sugiere prestar atención a las Recomendaciones y Directrices de los Estándares, además de a los Requerimientos (instrucciones obligatorias de cada Contenido Temático).
- Se recomienda utilizar para el próximo reporte los Estándares actualizados (versión 2018) de GRI 303: Agua y efluentes y GRI 403: Salud y seguridad en el trabajo.

Dejamos constancia que nuestra firma no ha participado en la elaboración de este Informe.

Luego de los argumentos expuestos, confirmamos que el Informe Anual de Sostenibilidad 2018 de Compañía Minera Poderosa reúne las condiciones necesarias para cumplir con un reporte de conformidad con los Estándares GRI.

Se expide la presente carta para su difusión.

Atentamente,



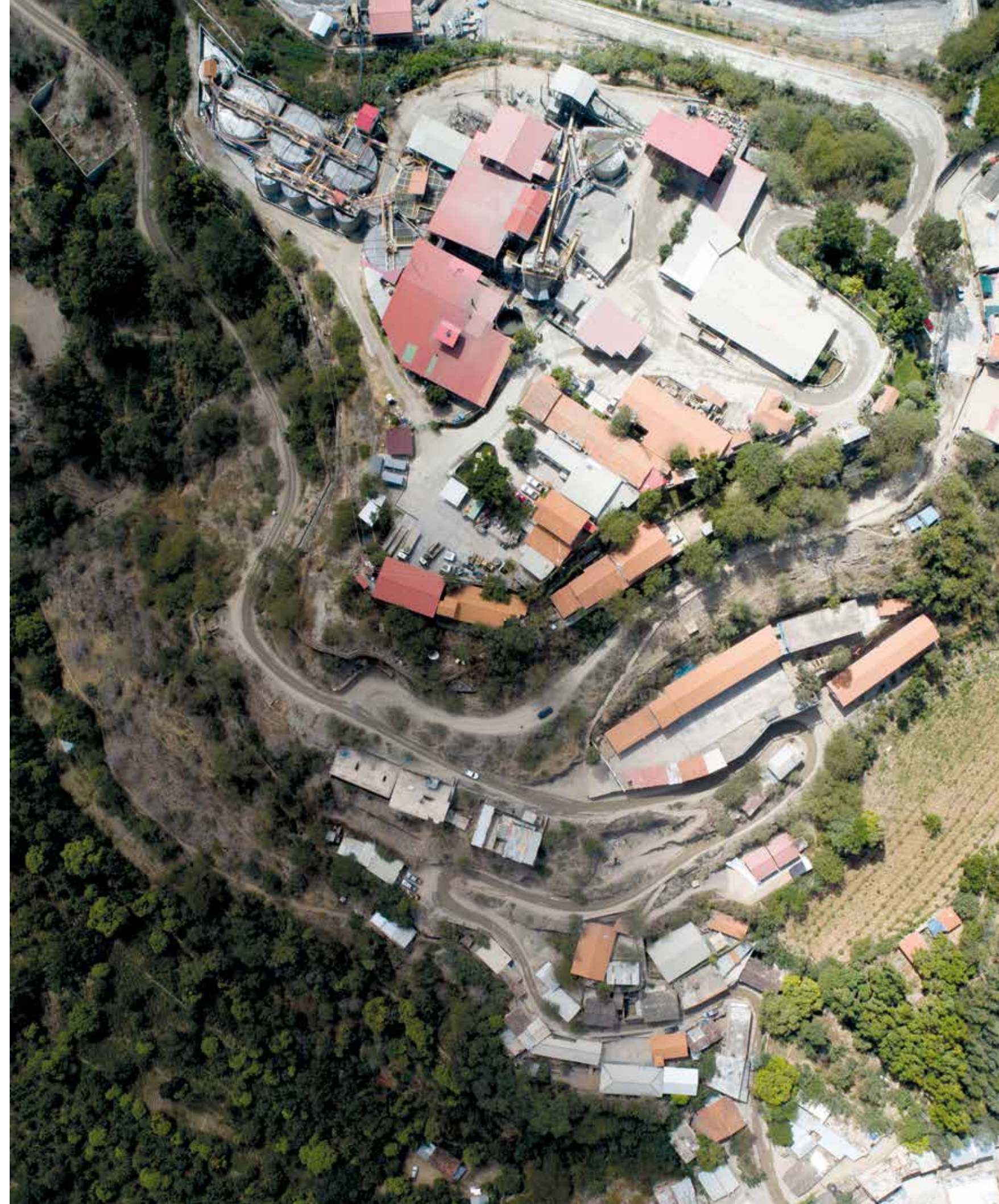
Jorge Melo Vega castro
Presidente

Sobre **Responde**

Somos una consultora con 14 años de experiencia, que trabaja con las organizaciones de los principales sectores de la economía peruana con el objetivo de impulsar que las empresas integren la gestión sostenible a su estrategia y operaciones, y establezcan relaciones de confianza con sus grupos de interés.

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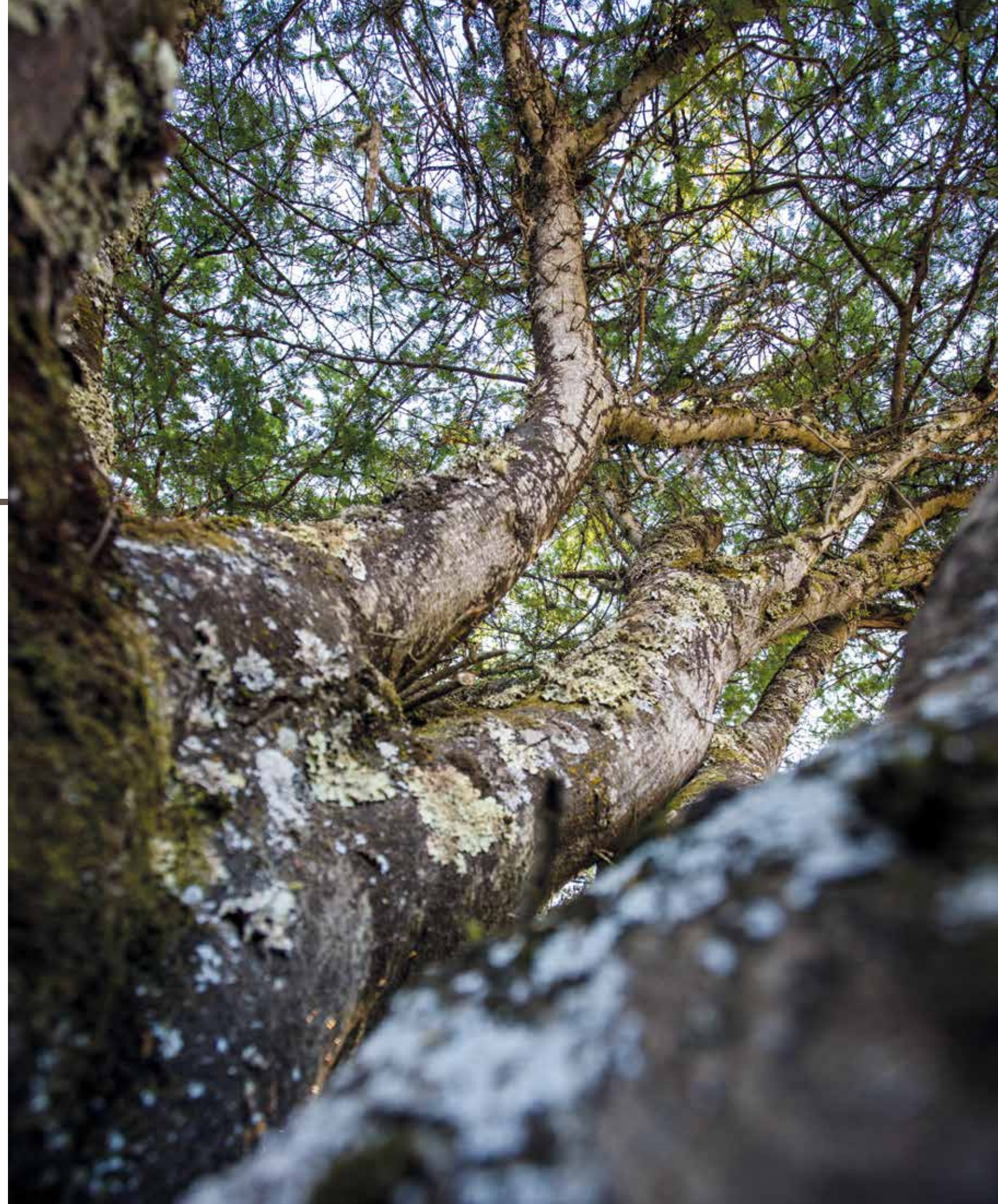


CHAPTER 9

GRI standards



content index



ÍNDICE DE CONTENIDOS GRI

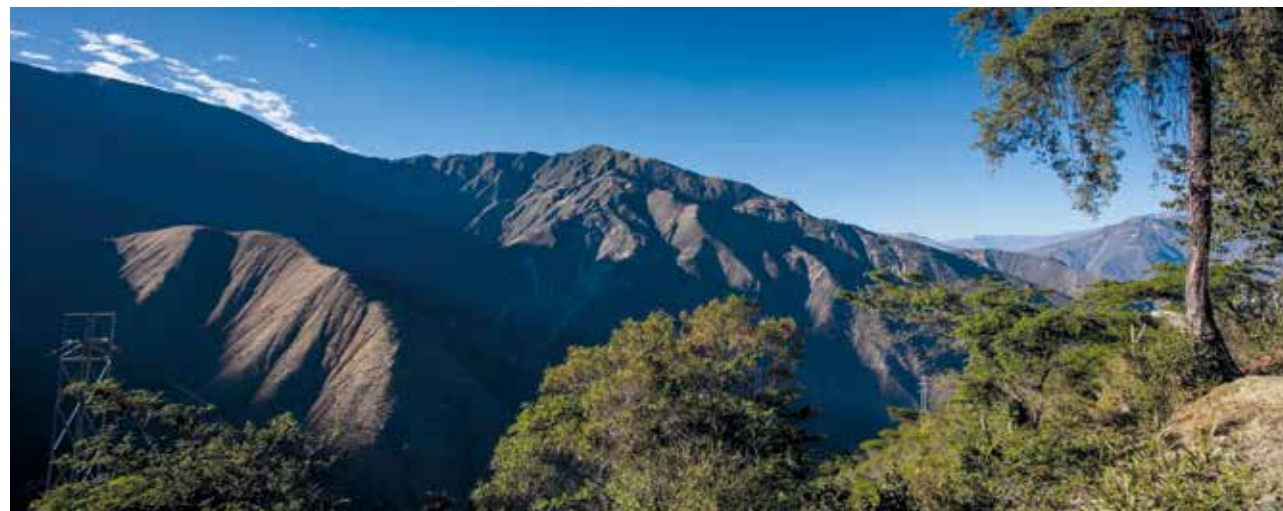
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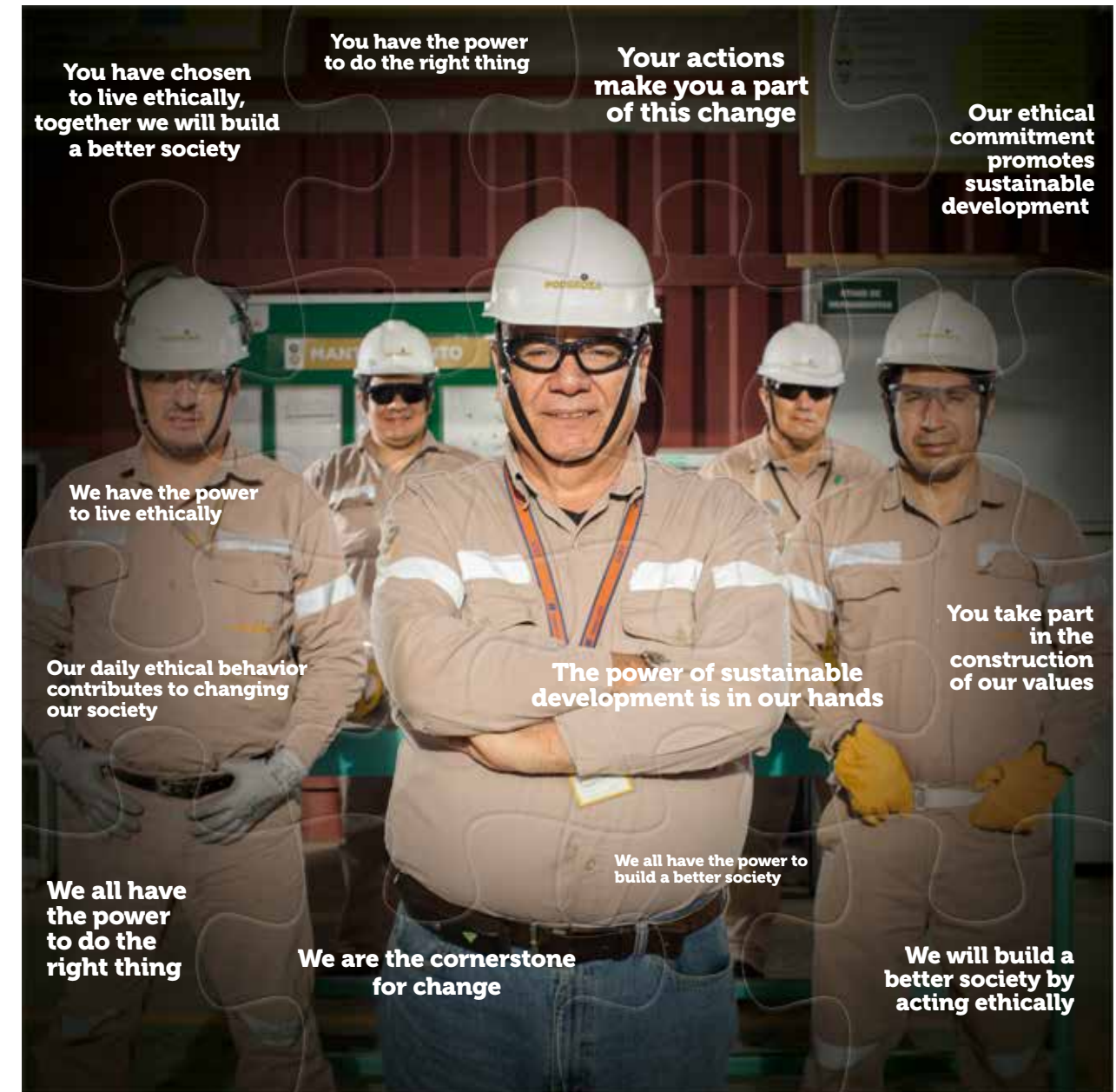
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Teléfono: (01) 617-2727

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