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Minsur S.A. and Subsidiaries

Consolidated financial statements as of December 31, 2016 and 2015, together with the Independent Auditors' Report

Building a better working world

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Minsur S.A. and Subsidiaries

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Independent Auditors' Report

To the Shareholders of Minsur S.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Minsur S.A. (a Peruvian entity, subsidiary of Inversiones Breca S.A.) and Subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 and the related consolidated statements of profit or loss, other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information (see attached notes 1 to 36).

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards approved in Peru by the Board of Deans of the Peruvian Charter of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 36 to the consolidated financial statements

Independent Auditors' Report (continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Minsur S.A. and Subsidiaries as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

Lima, Peru,
March 1, 2017

Countersigned by:

Paredes, Burga & Asociados

Victor Burga
C.P.C.C. Register No.14859

Translation of a report and financial statements originally issued in Spanish - See Note 36 to the financial statements

Minsur S.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2016 and 2015

	Note	2016 US$(000)	2015 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	383,516	390,855
Trade and other receivables, net	7	98,937	78,754
Derivative financial instruments		394	-
Inventory, net	8	100,215	89,639
Available-for-sale financial investments	10	36,890	-
Financial assets at fair value through profit or loss	9	6,072	6,412
Income tax prepayments		338	3,589
Available-for-sale financial assets		3,270	2,711
Prepayments		2,140	615
		631,772	572,575
Non-current assets			
Trade and other receivables, net	7	53,664	51,469
Available-for-sale financial investments	10	128,810	192,498
Investments in associates	11	345,523	292,130
Property, plant and equipment, net	12	525,934	435,499
Intangible assets, net	13	390,688	346,979
Deferred income tax assets, net	18	85,795	48,684
Income tax prepayments		182	945
Other assets		1	2
		1,530,597	1,368,206
Total assets		2,162,369	1,940,781
Current liabilities			
Current interest-bearing loans and borrowings	16	106,781	93,793
Trade and other payables	15	141,798	103,638
Derivative financial instruments		5,487	-
Income tax payable		9,319	-
Current provisions	17	33,959	27,628
Embedded derivatives for sale of tin	35	165	298
		297,509	225,357
Non–current liabilities			
Trade and other payables	15	39,450	19,430
Non-current interest-bearing loans and borrowings	16	444,730	443,054
Non-current provisions	17	146,470	114,027
Deferred income tax liabilities, net	18	38,272	23,997
		668,922	600,508
Total liabilities		966,431	825,865
Equity	19		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Reinvested earnings		39,985	39,985
Other reserves		(9,850)	-
Facultative reserves		424	424
Cumulative translation reserve		(195,517)	(245,427)
Unrealized results		5,640	(9,928)
Retained earnings		332,901	244,830
Equity attributable to equity holders of the parent		1,195,747	1,052,048
Non-controlling interests		191	62,868
Total equity		1,195,938	1,114,916
Total liabilities and equity		2,162,369	1,940,781

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish - See Note 36 to the financial statements

Minsur S.A. and Subsidiaries

Consolidated statements of profit or loss

For the years ended December 31, 2016 and 2015

	Note	2016 US$(000)	2015 US$(000)
Net sales	21	617,048	618,610
Cost of sales	22	(380,386)	(418,944)
Gross profit		236,662	199,666
Operating income (expenses):			
Administrative expenses	23	(42,265)	(43,255)
Selling expenses	24	(4,646)	(7,764)
Exploration and evaluation expenses	25	(28,664)	(41,148)
Impairment loss	14(i)	-	(640,528)
Other expenses, net	26	(16,461)	(46,204)
Total operating expenses		(92,036)	(778,899)
Operating income		144,626	(579,233)
Other income (expenses):			
Finance income	27	5,048	4,534
Finance costs	27	(51,281)	(45,636)
Gain from investment in associates, net	11(b)	29,559	11,947
Loss from financial assets at fair value through profit or loss	9(b)	(358)	(1,743)
Dividends income	9(c)	177	79
Exchange difference, net		14,044	(36,279)
Total other income (expenses)		(2,811)	(67,098)
Profit (loss) before income tax		141,815	(646,331)
Income tax	18(b)	(53,973)	108,349
Profit (loss) for the year		87,842	(537,982)
Attributable to:			
Equity holders of the parent		87,849	(421,830)
Non-controlling interests		(7)	(116,152)
Profit (loss) for the year		87,842	(537,982)
		-	-
Earnings (loss) per share stated in U.S. dollar (basic and diluted) attributable to:			
Common shares	28	3.05	(18.66)
Investment shares	28	0.03	(0.19)

The accompanying notes are an integral part of this statement.

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 36 to the consolidated financial statements

Minsur S.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2016 and 2015

	Note	2016 US$(000)	2015 US$(000)
Profit (loss) for the year		87,842	(537,982)
Other comprehensive income:			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation	19(f)	49,910	(135,938)
Unrealized results of investments		16,307	(16,505)
Income tax	18(a)	(739)	(397)
Others		222	(190)
Other comprehensive income (loss) for the year		65,700	(153,030)
Total comprehensive income (loss) for the year, net of income year		153,542	(691,012)
Attributable to:			
Equity holders of the parent		153,549	(574,860)
Non-controlling interests		(7)	(116,152)
		153,542	(691,012)

The accompanying notes are an integral part of this statement.

Minsur S.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2016 and 2015

	Capital stock US$(000)	Investment shares US$(000)	Legal reserve US$(000)	Reinvested earnings US$(000)	Other reserves US$(000)	Facultative reserves US$(000)	Cumulative translation reserve US$(000)	Unrealized results US$(000)	Retained earnings US$(000)	Total attributable to equity holders of the parent US$(000)	Non - controlling interests equity US$(000)	Total US$(000)
Balance as of January 1, 2015	601,269	300,634	120,261	39,985	-	424	(109,489)	7,885	717,207	1,678,176	173,965	1,852,141
Loss for the year	-	-	-	-	-	-	-	-	(421,830)	(421,830)	(116,152)	(537,982)
Other comprehensive loss for the year	-	-	-	-	-	-	(135,938)	(16,902)	(190)	(153,030)	-	(153,030)
Total other comprehensive loss for the year	-	-	-	-	-	-	(135,938)	(16,902)	(422,020)	(574,860)	(116,152)	(691,012)
Dividends declared, note 19(e)	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Contribution of non-controlling interest, note 19(g)	-	-	-	-	-	-	-	-	-	-	7,290	7,290
Other adjustments	-	-	-	-	-	-	-	(911)	(357)	(1,268)	(2,235)	(3,503)
Balance as of December 31, 2015	601,269	300,634	120,261	39,985	-	424	(245,427)	(9,928)	244,830	1,052,048	62,868	1,114,916
Profit for the year	-	-	-	-	-	-	-	-	87,849	87,849	(7)	87,842
Other comprehensive income for the year	-	-	-	-	-	-	49,910	15,568	222	65,700	-	65,700
Total other comprehensive income for the year	-	-	-	-	-	-	49,910	15,568	88,071	153,549	(7)	153,542
Transactions with former shareholder of a subsidiary (Marcobre), note 1(c)	-	-	-	-	(9,850)	-	-	-	-	(9,850)	(62,670)	(72,520)
Balance as of December 31, 2016	601,269	300,634	120,261	39,985	(9,850)	424	(195,517)	5,640	332,901	1,195,747	191	1,195,938

The accompanying notes are an integral part of this statement.

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 36 to the consolidated financial statements

Minsur S.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2016 and 2015

	Note	2016 US$(000)	2015 US$(000)
Operating activities			
Collections from customers		616,764	621,038
Restricted funds		5,346	(6,638)
Interest received		2,460	3,047
Payments to suppliers		(277,342)	(314,744)
Payroll and social benefit payments		(104,005)	(127,158)
Payments of income and other taxes		(72,254)	(47,250)
Interests paid		(31,463)	(45,952)
Payments of derivative financial instruments		(6,301)	-
Other receipts (payments) related to the activity, net		11,776	(42,596)
Net cash flows provided by operating activities		144,981	39,747
Investing activities			
Payments for purchase of property, plant and equipment	12(a)	(103,788)	(63,284)
Opening of time deposits with original maturities greater than 90 days	6	(30,173)	-
Payments for purchase of intangibles	13(a)	(23,940)	(13,403)
Collections from settlement of available-for-sale financial investments	10(a)	31,256	-
Dividends received	9(c) and 11(d)	2,062	2,621
Proceeds from sale of property, plant and equipment		793	54
Net cash flows used in investing activities		(123,790)	(74,012)
Financing activities			
Obtaining interest-bearing loans and borrowings	16(b)	96,353	170,364
Contribution of non-controlling interests		3,000	7,290
Payments to interest-bearing loans and borrowings	16(b)	(98,268)	(107,602)
Purchase of non-controlling interests	1(c)	(60,000)	-
Dividends received	19(e)	-	(50,000)
Net cash flows provided by (used in) financing activities		(58,915)	20,052
Net decrease in cash and cash equivalents		(37,724)	(14,213)
Net exchange difference		212	(2,814)
Cash and cash equivalents at beginning of year		390,855	407,882
Cash and cash equivalents at year end	6	353,343	390,855
Transactions with no effects in cash flows:			
Increase in provision for closure mine	12(a)	10,766	9,566
Accounts payable for acquisition of non-controlling interest	1(c)	15,760	-

The accompanying notes are an integral part of this statement.

1. Corporate information

(a) Identification -

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

(b) Business activity -

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

Through its subsidiary Minera Latinoamericana S.A.C., the Company has investments in Mineração Taboca S.A. and subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and subsidiaries (holding of shares of a group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur S.P.A. (a Chilean company engaged in mining exploration activities). As explained in Note 11, the investment in Inversiones Cordillera del Sur Ltda. is accounted for as an investment in an associate.

Furthermore, through its subsidiary Cumbres Andinas S.A., the Company has investments in Minera Sillustani S.A.C., Compañia Minera Barbastro S.A.C. and Marcobre S.A.C., mining companies that are under exploration and evaluation of mineral resources (Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C.) and in the feasibility stage (Marcobre S.A.C.).

(c) Purchase of non-controlling interest -

On September 23, 2016, through its subsidiary Cumbres Andinas SA, the Group acquired the non-controlling interest of Marcobre S.A.C. (Marcobre) which represented 30% of its capital stock belonging to KLS Limited, obtaining the control of 100% of the shares of Marcobre, owner of the Mina Justa project. Under this agreement, the consideration for the purchase of such shares amounted to US$85,000,000, of which US$60,000,000 was paid through a deposit in an escrow account which will be freely available to the seller once the tax impact of this transaction is determined, and the remaining balance will be paid in five annual installments of US$5,000,000 each, whichever comes first between: (a) 10 business days after the start of commercial production of the Mina Justa project, or (b) on September 30, 2023, the present value of said liability being US $ 15,760,000, see note 15 (a).

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

	Equity interest			
	December 31, 2016		December 31, 2015	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
Subsidiaries in Brazil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in Cayman Islands:				
CA Marcobre I (*)	-	100.00	-	100.00
CA Marcobre II (*)	-	100.00	-	100.00
CA Minerals Marcobre Limited (*)	-	100.00	-	100.00
CA Minerals Peru Limited (*)	-	100.00	-	100.00
CA Resources Limited (*)	-	100.00	-	100.00
Subsidiaries in United States:				
Minsur USA Inc.	-	99.99	-	99.99
Subsidiaries in Peru:				
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.	99.98	-	99.97	-
Compañia Minera Barbastro S.A.C.	-	99.98	-	99.98
Minera Sillustani S.A.C.	-	99.47	-	99.47
Marcobre S.A.C.	-	100.00	-	70.00

(*) Through these entities, the Company had an indirect interest in the subsidiary Marcobre S.A.C. These entities are not engaged in other activities.

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

- Minera Andes del Sur SPA. -
  This subsidiary is engaged in the exploration and exploitation of mineral resources contained in the mining properties will be acquired.

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

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

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

- Cumbres Andinas S.A. -
  Currently, the activities of this subsidiary are limited to the holding of shares in mining entities in the exploration stage and/or pre-feasibility studies (Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C.), and to the holding of mining concessions.

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

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

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

(e) Approval of consolidated financial statements –

These consolidated financial statements as of December 31, 2016 and for the year then ended were authorized for issue by Management on March 1, 2017. In Management's opinion, these consolidated financial statements will be approved without changes by the Board of Directors' to be held during the first quarter of 2017.

The consolidated financial statements as of December 31, 2015 and for the year then ended were authorized for issue by Management on March 30, 2016.

2. Basis of preparation and accounting policies

2.1 Basis of preparation -

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in force as of December 31, 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, derivative financial instruments, available-for-sale financial investments and embedded derivatives for sale of mineral, which have been measured at fair value.

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions, as detailed in Note 3.

The consolidated financial statements provide comparative information in respect of the previous period.

2.2 Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the date of the statement financial position.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. Support this presumption and when the Group has less than a majority of the voting, or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests (here in after NCI).

The statement of profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCI, even if this result in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

If the Group losses control over a subsidiary it derecognizes the related assets and liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Any investment retained is recognized at fair value.

2.3. Change in accounting policies and disclosure -

Certain standards and amendments were in force for the annual periods beginning on January 1, 2016; however, they had no impact on the consolidated financial statements of the Group and, therefore, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments issued, which is not yet effective.

2.4. Summary of significant accounting policies -

The followings significant accounting policies are used by the Group to prepare its consolidated financial statements:

(a) Cash and cash equivalents -

Cash and cash equivalents in the consolidated statement of cash flows comprise cash, banks and on hand and short-term deposits with an original maturity of three months or less.

(b) Financial instruments: Initial recognition and subsequent measurement -
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets include cash and cash equivalent, trade and other receivables, available-for-sale financial investments, derivative financial instruments and financial assets at fair value through profit or loss.

Subsequent measurement -
For the purposes of the subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Held-to-maturity investments.
- Available-for-sale financial investments.

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instrument as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value and the changes in fair value are presented as finance costs (negative net change in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss.

The Group has classified certain investments as financial assets at fair value through profit or loss (see Note 9).

Embedded derivatives in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Loans and receivables –
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial are subsequently measured at amortized cost using the effective interest rate method (here in after EIR), less impairment. The losses arising from impairment are recognized in the consolidated statement of profit or loss.

This category applies to trade and other receivables. For more information on receivables, refer to Note 7.

Held-to-maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. The Group did not have any held-to-maturity investments during the years ended December 31, 2016 and 2015.

Available-for-sale (AFS) financial investments -
AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are thought to have for an indefinite period of time and may be sold in response to needs for liquidity or changes in market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) and credited in the unrealized gain on available-for-sale investments until investment is derecognized. In this moment, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using EIR method.

The Group has classified equity securities and debt instruments as available-for-sale financial investments as of December 31, 2016 and 2015, see note 10.

Derecognition -
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

(i) The rights to receive cash flows, from the asset have expired; or

(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of the asset of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment of financial assets -
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any amount written off and subsequently recovered, the recovery is recorded as finance costs in the consolidated statement of profit or loss.

Available-for-sale (AFS) financial investments
For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of profit or loss is removed from OCI and recognized in the consolidated statement of profit or loss. Impairment losses on equity investment are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

In the case of debt instruments classified as financial assets available for sale, the impairment testing is performed according to the same criteria used for financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between amortized cost and the current fair value, less any impairment loss on that previously recognized in the consolidated statement of profit or loss.

Then, interest income are recognized based on the updated carrying amount of the reduced asset, using the discount rate in future cash flows used in the measuring the impairment loss. Interest income are recorded as part of financial income. If in the future, the fair value of the debt instrument increases and the increase can be objectively related to an event after the loss recognition in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

(iii) Financial liabilities -

Initial recognition and measurement –

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of payables, interest-bearing loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings and embedded derivative for sale of mineral.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification as described follows:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivatives and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Except for the embedded derivative for sale of tin, the Group has not designated, at initial recognition, any financial liability as at fair value through profit or loss.

Loans and borrowings -
After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate method (EIR). Gains and losses are recognized in the separate statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

This category includes trade and other payables and interest-bearing loans and borrowings. For more information refer notes 15 and 16.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

(iv) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(v) Fair value -

The Group measures financial instruments as embedded derivatives, derivative financial instruments, available-for-sale investments and financial assets at fair value at each consolidated statement of financial position date where its effects are reflected at the consolidated statement of profit or loss. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in note 34.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(c) Foreign currency translation -

The Group's consolidated financial statements are presented in U.S Dollars, which is also the Company's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances -

Transactions in foreign currencies (different currency than U.S. Dollar) are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidate statement of profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

Translation of financial statements of foreign subsidiaries into U.S. dollars –
The financial statements of the foreign subsidiaries are stated in the functional currency (Chilean pesos for Minera Andes del Sur S.P.A., and Brazilian Reales for Mineração Taboca S.A. and its subsidiaries), and are then translated into U.S. dollars. For these purposes, all assets and liabilities of foreign operations are translated at the exchange rate for sales prevailing at the reporting date, and all equity accounts are translated using exchange rates prevailing at the dates of the transactions. Income and expense items are translated at the monthly average exchange rate for sales according to the month of the transactions. The exchange differences arising on translation are recognized in other comprehensive profit or loss of the consolidated statement of the comprehensive income.

(d) Inventories -
The finished products and work in progress are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are recorded as follows:

Raw materials
- Purchase cost using the weighted average method.

Finished goods, work in progress and mineral pitch -
- Cost of direct materials and supplies, services provided by third parties, direct labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs and exchange currency differences.

Inventory in transit
- Purchase cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

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

(e) Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investments in associates are initially recognized at cost and are subsequently measured through changes in the participation of the Group in the results of associates.

The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment, and is neither amortized nor individually tested for impairment.

The consolidated statements of profit or loss reflects the share of the Group in the results of operations of the subsidiaries and associates.

When there has been a change recognized directly in the equity of the associate, the Group recognizes the participation in this change and accounts for, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses on common transactions are eliminated in proportion to the interest held in the associate.

The Group's participation in the profits or losses of the associates are presented separately in the consolidated statement of profit or loss and represents the profit or loss after tax of associates.

The reporting dates of the Group and associates are identical and the accounting policies of associates are consistent with those used by the Group for similar transactions and events.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investments in associates. The Group determines at each date of the consolidated statement of financial position whether there is objective evidence that the investment in the associates are impaired. If applicable, the Group calculates the amount of impairment as the difference between the fair value of the investment in the associate and the carrying value and recognizes the loss in the consolidated statement of profit or loss.

In the event of loss of significant influence on the associates, the Group measures and recognizes any accumulated investment at its fair value. Any difference between the book value of the associates at the time of loss of significant influence, the fair value of the investment held and the proceeds from the sale, is recognized in the consolidated statement of profit or loss.

(f) Property, plant and equipment -

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The initial cost an asset comprises its purchase price or construction cost, any costs directly attributable to the asset being ready to be used, the initial estimate of the asset retirement obligation, and borrowing costs related to the assets. The capitalized value of a finance lease is also included within property, plant and equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation –

Units-of-production (UOP) method:

Depreciation related to assets involved to mining activities whose useful life is greater than the life of mine is calculated using the units-of-production (UOP) method, based on reserves economically recoverable of each mine.

Straight-line method:

Depreciation of assets whose useful life is shorter than the life of the mine, or that these are related to administrative, is calculated using the straight-line method, based on the useful life of the assets. The estimated useful life of such assets is presented as follows:

	Years
Building and other constructions of the San Rafael mining unit	Between 2 and 5
Building and other constructions of the Pucamarca mining unit	Between 3 and 5
Buildings and other constructions related to smelting plant Pisco	Between 4 and 29
Buildings and other constructions of the Taboca mining unit	Between 25 and 36
Machinery and equipment	Between 1 and 6
Furniture, fixtures, computer equipments, communication and security equipments	Between 2 and 10
Vehicles	Between 3 and 6

The assets' residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Disposals -
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

(g) Leases -
The determination of whether an agreement is (or contains) a lease is based on the substance of the date of commencement of lease. It is necessary to assess whether the performance of the contract is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases -
Finance leases that transfer to the Group substantially all the risks and benefits inherent to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if the amount lease is lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases -
Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(h) Mining concessions -

The mining concessions represent the right of exploration and exploitation that the Group has over the mining properties that contain the acquired mineral reserves and resources. Those mining concessions are amortized starting from the production phase following the units-of-production method based on proved reserves to which they relate. The unit-of-production rate for the amortization of mining concessions takes into account expenditures incurred to the date of the calculation. In case the Group abandons the concessions, the associated costs are charged directly to the consolidated statement of profit or loss.

At the end of year, the Group assesses at each unit mine whether there is an indication that the value of its mining concessions may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

Mining concessions are presented within the caption "Intangibles assets, net" in the consolidated statement of financial position.

(i) Exploration and evaluation expenditure -

Exploration and evaluation costs include the activities of search of mineral resource, the determination of viability technical and the assessment of the commercial viability of an identified resource. These costs are charged to expenses according to be incurred until such time as the technical and commercial viability of the identified resource is determined (pre-feasibility study). From the beginning of the stage of definition of technical and commercial feasibility of high precision (feasibility study), the costs incurred are capitalized. Exploration activities include:

- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

(j) Development costs -

When it is determined that a mineral property can be economically viable, that is, when determining the existence of proven and probable reserves, the costs incurred to develop such property, including additional costs to delineate the ore body and remove any impurities are capitalized as development costs in the item "Intangible assets, net". These costs are amortized using the units of production method, using resources and the proven and probable reserves.

Development costs activities include:

- Engineering and metallurgical studies.
- Drilling and other costs to delineate the ore body.
- Removal of impurities related to the ore body.

Development costs necessary to maintain production are expensed as incurred.

(k) Stripping (waste removal) costs –
As part of its mining operations, the Group incurs waste removal costs (stripping costs) during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized and their accounting treatment is as explained in point (j) above.

The costs incurred during the production phase (stripping costs) are realized to obtain two benefits, the production of inventories or better access to mineral that will be exploited in the future. When the benefits are realized to the production of inventories they are recorded as part of the cost of production of this inventories. When the benefits obtained give access to the mineral to be exploited in the future and the operation is open pit, then these costs are recognized as non-current assets (stripping costs) if the three following criteria are met:

- Future economic benefits are probable;
- The component of the ore body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyze each of the mine plans.

Substantially stripping costs incurred by the Group are related to the production of inventory and not to improved access to the ore to be mined in the future.

(l) Intangible assets -
Intangible assets acquired separately are measured on initial recognition at cost.

Goodwill -
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Licenses -
Software is presented at cost and includes all the disbursements directly related to the acquisition or startup of the specific computer program. These costs are amortized using the straight-line method over an estimated useful life of 4 years.

Usufruct of lands -
It corresponds to payments for the right to use certain lands near to the mining units of the Group, needed for its operation and are recorded at cost. These costs are amortized using the straight- line method over the life of the respective agreements (between 2 and 10 years).

(m) Impairment of non-financial assets -
The Group assesses, at each reporting date, whether there is an indication that an asset (or cash generating unit - CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU) and the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets in general, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed either its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the consolidated statement of profit or loss with exception of impairment loss related to the goodwill.

(n) Provisions -

General –

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statements of profit or loss.

Provision for closure of mining units -

At the time of initial recognition of the provision for closure of mining units, the fair value of the estimated costs is capitalized by increasing the carrying amount of the long-lived assets (development costs and property, plant and equipment). Then, the provision is increased in each period to reflect the financial cost considered in the initial estimation of the fair value and, in addition, the capitalized cost is depreciated and/or amortized on the basis of the useful life of the related asset. In settling the obligation, the Group records in the current results any resulting gain or loss.

The change in the fair value of the obligations or in the useful life of the related assets, resulting from the revision of the initial estimates are recognized as an increase or decrease in the carrying value of the obligation and the related asset. Any reduction in a provision for closure of mining units and, therefore, any reduction of the related asset, may not exceed the carrying amount of such asset. If so, any excess over the carrying amount is immediately taken to the consolidated statement of profit or loss.

If the change in the estimate results in an increase in the provision and, therefore, an increase in the carrying amount of the asset, the Group shall take into account whether this is an indication of impairment of the asset as a whole and shall perform and impairment testing in accordance with IAS 36 "Impairment of Assets".

In the case of mines already closed, changes in estimated costs are recognized immediately in the consolidated statements of profit or loss.

Environmental expenditures and liabilities -
Environmental expenditures related with current or future revenues are recorded as expensed or capitalized, as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenues are expensed as incurred.

Liabilities for environmental costs are recognized when an obligation to undertake clean-up activities is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, which the decommissioning or closure of inactive sites.

The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the future expenditures estimated.

(o) Employees benefits -
The remunerations, severance contributions, legal bonuses, performance bonuses and vacations to workers are calculated in accordance with IAS 19, “Employee Benefits” and are calculated in accordance with Peruvian legal regulations in force and on an accrual basis.

(p) Revenue recognition -
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

Metal sales-
Sales of metallic tin and gold are recognized when the Group has delivered the products at the place agreed with the customer, customer has accepted the products and the collection of the receivable is reasonably assured.

In relation to sales of tin, the Group assigns a provisional sales price based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral at the end of the agreement. The exposure to changes in the prices of metals generates an embedded derivative that should be separated from the host contract. At end of each year, the sales price initially used must be adjusted accordingly with the forward price for the settlement period stipulated in the contract. The embedded derivative, which does not qualify for hedge accounting, is initially recognized at fair value, and the subsequent changes in fair value are recognized in the consolidated statements of profit or loss and presented as part of net sales.

In relation to the measurement of gold sales, these are not subject to a final price adjustment and do not generate embedded derivatives.

Service revenues -
Income from services rendered to related parties is recognized as income when they have actually been rendered.

Interest income -
For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statements of profit or loss.

Dividends –
Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(q) Taxes –
Current income tax -
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Significant management judgment to determine the amount of the deferred tax asset that can be recognized based on the probable date of recovery and level of future taxable incomes and future planning strategies are required.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax related to items recognized outside profit or loss is recognize outside profit or loss are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Mining Royalties and Special Mining Tax in Peru -

Mining royalties and special mining tax are accounted for under IAS 12 "Income taxes" since they have the characteristics of income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable net income- rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in force on the date of the consolidated statements of financial position.

Consequently, payments made to the Government by way of special mining and mining royalty tax are under the scope of IAS 12 and, therefore, is treated as income taxes. Both the mining royalty as the special mining tax generate deferred tax assets or deferred tax liabilities which must be measured using the average rates that are expected to apply to operating profit in the period in which the Group expects will reverse the temporary differences.

Sales tax -

Revenues, expenses and assets are recognized net of the amount of sales tax (added value tax), except:

(i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

(ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

(r) Derivative financial instruments and hedge accounting –

Initial recognition and subsequent measurement -

The Group uses derivative financial instrument to manage its exposure to variation of the prices of metals (collars contracts of options at zero cost of minerals), such derivative financial instruments are initially recognized at fair value on the date on which a derivate contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative.

At inception of the hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's hedge is classified as cash flow hedge. The effective portion of gain or loss on the hedging instrument is initially recognized in the consolidated statements of changes in equity, under the caption other equity reserves, while the ineffective portion is recognized immediately in the consolidated statements of profit or loss in the finance costs caption.

(s) Basic and diluted earnings per share -
Basic and diluted earnings per share are calculated dividing the net income by the weighted average of common and investment outstanding shares during the period.

As of December 31, 2016 and 2015, the Company does not have dilutive financial instruments, thus the basic and diluted earnings per share are the same for the presented periods.

3. Judgements, estimates and assumptions -

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures; as the disclosure of contingent liabilities as the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. More information about each of these areas and the impact on the consolidated financial statements and the Group's accounting policies for the application of the significant judgments, estimates and accounting assumptions that have been used are presented below, as well as in the notes to the respective consolidated financial statements.

3.1. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Contingencies -

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Assessing the existence and potential amount of contingencies inherently involves the exercise of significant judgment and the use of estimates about the outcome of future events.

(b) Start date of development stage –

The Group continuously assesses the status of each of the exploration projects in its mining units in order to determine the effective date on which the development stage will begin. One of the most relevant criteria that is used by the management to evaluate the start date of the development stage is when the Group determines that the property can be economically developed.

3.2. Estimates and assumptions

The following are key future-related assumptions and other key sources of uncertainty estimates as of the date of the consolidated financial statements and which carry a high risk of significant adjustments to the carrying amounts of assets and liabilities during the next period. The Group has based its estimates and accounting assumption on the basis of the parameters available at the moment of the preparation of these consolidated financial statements. However, the circumstances and assumptions about future events may change due to changes in the market and new circumstances that may arise beyond the control of the Group. The changes are reflected in the assumptions at the time of occurrence.

(a) Determination of mineral reserves and resources -

The Group calculate its reserves and resources using methods generally applied by the mining industry, and in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically and legally under the present conditions.

The process of estimating the amount of reserves and mineral resources is complex and requires making subjective decisions at the time of evaluating all the geologic, geophysical, engineering and economic information that is available. Revisions could occur in estimated reserves and resources due to, among other things, revisions of the geologic data or assumptions, changes in assumed prices, production costs and the results of exploration activities. The changes in estimates of mineral reserves could affect mainly the carrying value of mining concessions, development costs, property, plant and equipment; the charge to results corresponding to depreciation and amortization, and the carrying amount of the provision for closure of mining units.

(b) Units of production depreciation (UOP) -
Estimated economically recoverable reserves are used in determining the depreciation and / or amortization of mine specific assets.

This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in estimates are accounted for prospectively.

(c) Mine rehabilitation provision –
The Company assesses its mine rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents Management's best estimate of the present value of the future rehabilitation costs required.

(d) Determination of the net realizable value of inventories –
Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

(e) Impairment of non-financial assets –
The Group assesses each asset or cash generating unit in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, among others. These estimates and assumptions are subject to risk and uncertainty.

The fair value of mining assets is generally calculated by the present value of future cash flows arising from the continued use of the asset, which include some estimates, such as the cost of future expansion plans, using assumptions that a third party might consider. The future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money over time, as well as specific risks of the asset or cash-generating unit under evaluation. The Group determined the units operations of each unit as independent cash-generating unit.

(f) Taxes –
Deferred tax assets are recognized for unused tax losses and other deducting temporary differences in the future to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

IFRS 9 "Financial Instruments"
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of IFRS 9 would have not significant effect on the classification and measurement of the Group's financial assets and liabilities.

IFRS 15 "Revenue from ordinary activities Proceeds from Contracts with Customers"
IFRS 15 was issued in May 2014 and established a five-step model to be applied to those revenue from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the contractual consideration which has been agreed with the customer. The accounting principles in IFRS 15 provides a more structured approach to measure and recognize revenue approach. This new IFRS on income will apply to all entities, and replace all the requirements of revenue recognition under IFRS. It required a full or modified retrospective application for those annual periods beginning on January 1, 2018, and its adoption is permitted in advance. The Group is currently assessing the impact of IFRS 15 on its consolidated financial statements and plans to adopt this new standard on the required effective date.

IFRS 16 "Leases"

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. This new IFRS is required to apply for those annual periods beginning on January 1, 2019, and is allowed to be adopted in advance. The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements and expects to adopt this new standard on the required effective date.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

5. Transactions in foreign currency

As of December 31, 2016 and 2015, the Group had assets and liabilities in Peruvian soles, Brazilian reales, Chilean pesos and euros. Below is a breakdown of these assets and liabilities presented by their equivalent in U.S. dollars:

	2016 US$(000)	2015 US$(000)
Assets		
Cash and cash equivalents	1,804	5,797
Trade and other receivables, net (include non-current portion)	65,268	71,308
Income tax prepayments	520	4,534
	67,592	81,639
Liabilities		
Trade and other payables (include non-current portion)	(74,351)	(58,249)
Financial obligation (include non-current portion)	(33,193)	(13,500)
Income tax liabilities	(9,319)	-
	(116,863)	(71,749)
Net (liabilities) asset position	(49,271)	9,890

As of December 31, 2016 and 2015, the Group had no financial instruments to hedge its foreign currency risk.

6. Cash and cash equivalents

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

	2016 US$(000)	2015 US$(000)
Cash on hand and petty cash	15	13
Cash demand deposits (b)	17,913	43,741
Overnight deposits (c)	63,819	179,796
Time deposits (d)	270,808	162,071
Certificates of bank deposits (e)	788	5,234
Balance considered in the consolidated statements of cash flow	353,343	390,855
Time deposits with original maturities greather than 90 days	30,173	-
	383,516	390,855

(b) As of December 31, 2016 and 2015, the Group maintains its cash demand deposits in local and foreign banks of first level and are freely available.

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

(d) Time deposits have original maturities of less than 90 days and can be renewed at maturity. As of December 31, 2016 and 2015, these deposits earned interest at market interest rates, and were settled in January 2017 and 2016, respectively.

(e) As of December 31, 2016 corresponded to Bank Deposits Certificates – CDB's kept by Mineração Taboca S.A. amounted to R$2,565,000 (equivalent to US$ 788,000), which yield interest at a rate 20% CDI and have original maturities of less than 90 days, R$20,753,000 (equivalent to US$5,234,000) as of December 31, 2015.

7. Trade and other receivables, net

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

	2016 US$(000)	2015 US$(000)
Trade:		
Invoices receivable from sale of tin (b)	73,872	64,024
Allowance for doubtful accounts (d)	(1,210)	(2,587)
	72,662	61,437
Other receivables:		
Value added tax credit and other tax credits (e)	56,400	48,058
Advances to suppliers	7,153	3,689
Judicial deposits	6,863	5,926
Restricted funds	1,292	6,638
Related parties, note 31 (a)	304	445
Others	7,927	4,030
	79,939	68,786
Total	152,601	130,223
By maturity:		
Current	98,937	78,754
Non Current	53,664	51,469
Total	152,601	130,223
By nature:		
Financial Asset	96,201	82,165
Non-Financial Asset	56,400	48,058
Total	152,601	130,223

(b) As of December 31, 2016 and 2015, the trade receivables are interest free and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Group's management constantly evaluates market conditions, and uses the aging assessment of trade operations.

(c) As of December 31, 2016 and 2015, the aging analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
2016	72,662	65,925	-	6,734	3	-	-
2015	61,437	54,834	-	6,062	-	541	-

(d) The movement of the allowance for doubtful accounts for the years 2016 and 2015 is as follows:

	2016	**2015**
	US$(000)	US$(000)
Opening balance	2,587	2,799
Recovery of doubtful estimate, note 24	(1,377)	(142)
Translation	-	(70)
Ending balance	1,210	2,587

(e) As of December 31, 2016 and 2015, this caption contains value added tax credit resulting from the acquisition of equipment by the Peruvian subsidiaries during the exploration and feasibility stages.

8. Inventory, net

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

	2016 US$(000)	2015 US$(000)
Finished products	18,898	19,754
Work in progress	45,435	34,226
Materials and supplies	40,731	38,643
Mineral extracted	449	785
Inventory in transit	977	2,525
	106,490	95,933
Impairment loss of inventories (b)	(3,471)	(3,972)
Allowance for obsolescence (c)	(2,804)	(2,322)
	100,215	89,639

(b) The impairment loss of finished products and work in progress had the following movement during the years 2016 and 2015:

	2016 US$(000)	2015 US$(000)
Opening balance	3,972	5,777
(Recovery) allowance for the year, note 22	(1,281)	115
Translation	780	(1,920)
Ending balance	3,471	3,972

The estimation for the year corresponds to impairment of finished products and work in progress of subsidiary Mineração Taboca S.A.

(c) The allowance for obsolescence of materials and supplies had the following movement during the years 2016 and 2015:

	2016 US$(000)	2015 US$(000)
Opening balance	2,322	2,189
Allowance for the year, note 22	482	136
Translation	-	(3)
Ending balance	2,804	2,322

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

9. Financial assets at fair value through profit or loss

(a) As of December 31, 2016 and 2015, the Group holds an investment in equity shares of BBVA of Spain amounting to US$6,072,000 and US$6,412,000, respectively. BBVA of Spain is a prestigious company in the international market for which has a very low risk level.

(b) As of December 31, 2016 and 2015, the fair value of this investment classified as financial asset at fair value through profit or loss has been determined based on its quotation in the Stock Exchange of Madrid. Following, we present the movement of this item:

	2016 US$(000)	2015 US$(000)
Opening balance	6,412	8,155
Changes in the fair value	(358)	(1,743)
Return on stocks equity	18	-
Final balance	6,072	6,412

(c) In 2016, the Group received cash dividends in cash and share of stock from BBVA of Spain by US$159,000 and US$18,000 respectively (US$79,000 in dividends in cash in the year 2015), which were credited to the results of the year.

10. Available-for-sale financial investments

(a) Available-for-sale financial investments include the following:

	2016				
	Cost US$(000)	**Unrealized results** US$(000)	**Accrued interests** US$(000)	**Settlement of investment** US$(000)	**Fair Value** US$(000)
Mutual funds with public quotation	125,000	3,810	-	-	128,810
Certificates of deposit without public quotation	65,000	42	3,104	(31,256)	36,890
Total	190,000	3,852	3,104	(31,256)	165,700

	2015			
	Cost US$(000)	**Unrealized results** US$(000)	**Accrued interests** US$(000)	**Fair Value** US$(000)
Mutual funds with public quotation	125,000	998	-	125,998
Certificates of deposit without public quotation	65,000	(181)	1,681	66,500
Total	190,000	817	1,681	192,498

The fair value of the mutual funds is determined by reference to published price quotations in an active market. The fair value of certificates of deposit is estimated based on discounted cash flows using market rates available for debt instruments with similar conditions, maturity and credit risk.

(b) Movement in the available-for-sale financial investments is as follows:

	2016 US$(000)	**2015** US$(000)
Opening balance	192,498	189,576
Settlement of certificates of deposit	(31,256)	-
Unrealized gains	3,035	1,472
Accrued interest in certificated deposits	1,423	1,450
Ending balance	165,700	192,498

11. Investments in associates

(a) This caption is made up as follows:

	Interest in equity		Equity value	
	2016	2015	2016	2015
	%	%	US$(000)	US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiarias (c)	73.94	73.94	264,342	227,337
Rímac Seguros y Reaseguros (c)	14.51	14.51	61,015	48,214
Explosivos S.A. (c)	10.95	7.30	12,182	7,886
Futura Consorcio Inmobiliario S.A.C. (c)	4.96	4.96	5,113	5,318
Servicios Aeronáuticos Unidos S.A.C. (c)	47.50	47.50	2,871	3,375
			345,523	292,130

On January 29, 2015, the subsidiary Minera Latinoamericana S.A.C. signed with its related party Inversiones Breca S.A., (hereinafter "Breca") a shareholders' agreement by which Breca (minority shareholder of Inversiones Cordillera del Sur I Ltda., hereinafter "Cordillera") will manage all relevant activities of Cordillera from 2015. According to IFRS 10 "Consolidated financial statements", when loss of control of a subsidiary occurs, the controlling entity will no longer consolidate the financial information of the subsidiary from the date on which the control loss occurs, and will record investment in that entity as an associate.

The Group has recognized its investments in Rimac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A., as investments in associates, considering that are managed by the same economic group.

(b) The participation of the Group in the results of the investments in associates as of December 31, 2016 and 2015 is as follows:

	2016 US$(000)	2015 US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiarias (c)	22,874	(707)
Explosivos S.A. (c)	4,294	(507)
Rímac Seguros y Reaseguros (c)	3,161	12,948
Servicios Aeronáuticos Unidos S.A.C. (c)	(504)	(703)
Futura Consorcio Inmobiliario S.A. (c)	(266)	916
	29,559	11,947

(c) The movement of investments in associates and relevant information is presented as follows:

Inversiones Cordillera del Sur Ltda. and subsidiaries
The associate Cordillera is mainly engaged to maintain investments in Melón and subsidiaries. The social objective of Melón S.A. is the production, marketing and supply of cement, ready-mix concrete, mortar and pre-dosed aggregates to distributors of building materials, to construction companies related to the sectors of real estate, civil works and mining, and concrete companies from Chile.

The table below shows the movement in the investment in Inversiones Cordillera del Sur Ltda. and subsidiaries:

	2016 US$(000)	2015 US$(000)
Opening balance	227,337	266,178
Plus (minus):		
Participation in net profit (loss)	22,874	(707)
Translation	8,820	(38,097)
Unrealized gains	5,311	(37)
Ending balance	264,342	227,337

Rimac Seguros y Reaseguros
The main economic activity of this associate (located in Peru) includes the contracting and administration of insurance and reinsurance general operations and life insurances, as well as financial investments, real estate and related activities.

The table below shows the movement in the investment in Rimac Seguros y Reaseguros :

	2016 US$(000)	2015 US$(000)
Opening balance	48,214	62,902
Plus (minus):		
Gain (loss) unrealized	10,830	(17,940)
Participation in net profit	3,161	12,948
Translation	881	(6,896)
Dividends	(1,903)	(2,542)
Others	(168)	(258)
Ending balance	61,015	48,214

Explosivos S.A.

The economic activity of this associate located in Peru, includes the manufacture, domestic sale and export of local cartridge explosives, accessories and blasting agents, also this associated is engaged in the providing of blasting services, and all kinds of goods and services to support mining companies.

The table below shows the movement in the investment in Explosivos S.A.:

	2016 US$(000)	2015 US$(000)
Opening balance	7,886	7,340
Plus (minus)		
Participation in net profit (loss)	4,294	(507)
Translation	2	1,053
Ending balance	12,182	7,886

Futura Consorcio Inmobiliario S.A.C.
The purpose of this associate located in Peru, comprise the inmobiliarie business mainly to its related companies.

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

	2016	2015
	US$(000)	US$(000)
Opening balance	5,318	5,097
Plus (minus)		
Participation in net (loss) profit	(266)	916
(Loss) gain unrealized	(7)	-
Translation	83	(695)
Others	(15)	-
Ending balance	5,113	5,318

Servicios Aeronauticos Unidos S.A.C. - SAUSAC
The purpose of this associate located in Peru, is to provide air transportation services of passengers, cargo and mail, prospection, maintenance of airplanes and selling of supplies for the civil aviation.

The table below shows the movement in the investment in Servicios Aeronauticos Unidos S.A.C.:

	2016	2015
	US$(000)	US$(000)
Opening balance	3,375	4,078
Plus (minus)		
Participation in net loss	(504)	(703)
Ending balance	2,871	3,375

12. Property, plant and equipment, net

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

	Opening balance US$(000)	Additions US$(000)	Disposals US$(000)	Changes in mine closure costs US$(000)	Transfers US$(000)	Translation US$(000)	Ending Balance US$(000)
Year 2016							
Cost							
Lands	20,983	600	-	-	-	242	21,825
Buildings and installations	414,606	18,566	(9,650)	-	18,733	16,436	458,691
Machinery and equipment	325,004	3,278	(3,217)	-	23,760	19,290	368,115
Furniture, fixtures, computer equipments, communication and security equipments	10,218	7	(144)	-	1,299	654	12,034
Vehicles	12,491	-	(2,001)	-	504	1,508	12,502
Work in progress (c)	61,113	81,337	(318)	-	(40,636)	11,787	113,283
Mine closure costs	68,453	-	-	10,766	-	2,169	81,388
Finance leases	3,660	-	-	-	(3,660)	-	-
	916,528	103,788	(15,330)	10,766	-	52,086	1,067,838
Accumulated depreciation							
Buildings and installations	198,830	27,926	(9,022)	-	-	3,183	220,917
Machinery and equipment	230,423	21,716	(1,571)	-	1,632	12,783	264,983
Furniture, fixtures, computer equipments, communication and security equipments	7,013	1,106	(74)	-	-	488	8,533
Vehicles	8,263	1,007	(1,576)	-	29	994	8,717
Mine closure costs	35,137	3,341	-	-	-	276	38,754
Finance leases	1,363	299	-	-	(1,661)	(1)	-
	481,029	55,395	(12,243)	-	-	17,723	541,904
Net Cost	435,499						525,934

	Opening balance US$(000)	Additions US$(000)	Disposals US$(000)	Changes in mine closure costs US$(000)	Adjustments and reclassifications US$(000)	Transfers US$(000)	Translation US$(000)	Ending Balance US$(000)
Year 2015								
Cost								
Lands	13,710	7,789	-	-	30	-	(546)	20,983
Buildings and installations	428,849	19	(781)	-	-	18,468	(31,949)	414,606
Machinery and equipment	355,817	2,886	(5,824)	-	573	13,193	(41,641)	325,004
Furniture, fixtures, computer equipments, communication and security equipments	11,478	36	(126)	-	(644)	869	(1,395)	10,218
Vehicles	14,861	296	(366)	-	-	947	(3,247)	12,491
Units in transit	846	-	-	-	(808)	(38)	-	-
Work in progress (c)	59,374	52,258	-	-	(109)	(32,505)	(17,905)	61,113
Mine closure costs	60,812	-	-	9,566	-	-	(1,925)	68,453
Finance leases	4,594	-	-	-	-	(934)	-	3,660
	950,341	63,284	(7,097)	9,566	(958)	-	(98,608)	916,528
Depreciación acumulada								
Buildings and installations	161,664	43,151	(102)	-	-	-	(5,883)	198,830
Machinery and equipment	232,048	25,888	(3,106)	-	224	(1)	(24,630)	230,423
Furniture, fixtures, computer equipments, communication and security equipments	6,999	1,088	(117)	-	-	1	(958)	7,013
Vehicles	8,999	1,435	(357)	-	178	-	(1,992)	8,263
Mine closure costs	29,083	6,829	-	-	-	-	(775)	35,137
Finance leases	1,139	617	-	-	(393)	-	-	1,363
	439,932	79,008	(3,682)	-	9	-	(34,238)	481,029
Net Cost	510,409							435,499

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

	2016 US$(000)	2015 US$(000)
Cost of sales, note 22	53,313	76,821
Administrative expenses, note 23	742	636
Selling expenses, note 24	7	7
Exploration and evaluation expenses, note 25	1,176	1,295
Other expenses, note 26	157	249
	55,395	79,008

(c) Work in progress as of December 31, 2016 amounted to US$113,283,000 (US$61,113,000 as of December 31, 2015) and this is mainly related to investments made in the transformation project in the mining unit of Brazil to increase the volume of production.

(d) Corresponds mainly to the sell of in the assets belonging to the Azángaro - San Rafael high voltage interconnection system, during the period.

(e) The Management evaluated the recover value of the Property, plant and equipment of the Group and not consider necessary to record an impairment loss on these assets as of December 31, 2016 and 2015.

13. Intangible assets, net

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

	Opening balance US$(000)	Additions US$(000)	Adjustments and transfer US$(000)	Translation US$(000)	Ending balance US$(000)
Year 2016					
Cost:					
Indefinite useful life					
Goodwill of Mineração Taboca S.A.	36,044	-	-	7,824	43,868
	36,044	-	-	7,824	43,868
Definite useful life					
Mining concessions and mining rights	295,421	155	(579)	20,293	315,290
Mine development costs	30,257	23,324	-	-	53,581
Connection and easement rights	3,803	437	1,706	-	5,946
Usufruct of lands	5,716	15	(1,706)	37	4,062
Remediation asset	-	-	1,132	-	1,132
Licenses	470	9	118	76	673
	335,667	23,940	671	20,406	380,684
	371,711	23,940	671	28,230	424,552
Accumulated amortization:					
Mining concessions and mining rights	9,840	3,484	(564)	1,801	14,561
Mine development costs	11,988	2,746	-	-	14,734
Connection and easement rights	1,210	371	-	-	1,581
Usufruct of lands	1,358	292	-	8	1,658
Remediation asset	-	284	564	-	848
Licenses	336	80	-	66	482
	24,732	7,257	-	1,875	33,864

	Opening balance US$(000)	Additions US$(000)	Disposals US$(000)	Impairment US$(000)	Translation US$(000)	Ending balance US$(000)
Year 2015						
Cost:						
Indefinite useful life						
Goodwill						
Mineração Taboca S.A.	53,711	-	-	-	(17,667)	36,044
Marcobre S.A.C.	126,098	-	-	(126,098)	-	-
	179,809	-	-	(126,098)	(17,667)	36,044
Definite useful life						
Mining concessions and mining rights	855,731	12,269	(11,747)	(514,430)	(46,402)	295,421
Mine development costs	30,257	-	-	-	-	30,257
Connection and easement rights	3,234	569	-	-	-	3,803
Usufruct of lands	5,730	345	(31)	-	(328)	5,716
Licenses	390	220	-	-	(140)	470
	895,342	13,403	(11,778)	(514,430)	(46,870)	335,667
	1,075,151	13,403	(11,778)	(640,528)	(64,537)	371,711
Accumulated amortization:						
Mining concessions and mining rights	9,044	3,727	-	-	(2,931)	9,840
Mine development costs	8,141	3,847	-	-	-	11,988
Connection and easement rights	710	500	-	-	-	1,210
Usufruct of lands	1,107	314	(1)	-	(62)	1,358
Licenses	380	80	-	-	(124)	336
	19,382	8,468	(1)	-	(3,117)	24,732
Net cost	1,055,769					346,979

(b) The amortization expense has been distributed in the consolidated statements of profit or loss as follows:

	2016	2015
	US$(000)	US$(000)
Cost of sales, note 22	6,696	7,927
Exploration and evaluations expenses, note 25	542	534
Administrative expenses, note 23	19	7
	7,257	8,468

14. Evaluation of impairment of goodwill and other long-lived assets

According to the policies and procedures of the Group, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period, to determine if there is evidence of impairment. If there are such indications of impairment, a formal estimate of recoverable amount is performed.

As of December 31, 2016, the Group concluded that there is no indication of deterioration for its San Rafael (Tin), Pucamarca (Gold Mine) and Marcobre (Justa Mine) units and therefore did not make a formal estimate of the amount recoverable. On the other hand, the analysis of impairment of the Pitinga (tin) mine is presented below:

(i) Pitinga unit (Tin mine) -

As of December 31, 2016, the net carrying amount of the mining unit of Pitinga and the smelting plant of Pirapora was US$383,779,000. This book value includes: concessions, plant, equipment and related facilities and goodwill. As a result of the evaluation of the capacity to generate future cash flows of Pitinga and Pirapora, the Group Management did not consider necessary to record an impairment loss of value in this cash-generating unit. That conclusion is based on the assumptions detailed below, which could be modified to the extent that the assumptions used differ materially from future market conditions.

Key assumptions

Calculation of fair value for the mining unit of Taboca and the smelting plant of Pirapora is most sensitive to the following assumptions:

- Production volumes –

  The tin production volumes are based on studies of resources prepared by internal specialists of the Company and reviewed by independent experts. Production volumes depend on a number of variables, such as recoverable quantities; the production plan; the cost of developing the necessary infrastructure to extract reserves; production costs; the contractual duration of mining rights; and the selling price of the minerals extracted.

These estimates take into account the estimated production plan for the following years. According to these resources, the tin unit has a production horizon of 36 years as of December 31, 2016.

- Discount rate –
The future cash flows were adjusted considering the risk specific to the assets and were discounted at an annual pre-tax rate of 15.61%.

- Prices -
The subsidiary has used estimates of future metal obtained from international first level banks. Estimated tin prices for the current and non-current period used for estimating future revenues are in the range from US$20,000 to US$21,710 per metric tonne (MT).

- Operating expenses –
Management has projected operating costs by reference to the cost structure of other mining companies in the market of similar size and their own knowledge of the mining industry.

- Useful life –
Management estimates the useful life considered in its projection is consistent with the economic life of the cash-generating unit.

On the basis of this assessment, the Group Management believes that there is no indication of impairment of its long-lived assets.

As of December 31, 2016, the Group did not recognize an impairment loss (recognized a impairment loss by US$640,528,000 related to the Marcobre copper project "Mina Justa" in 2015).

Sensitivity Analysis
In relation to the Pitinga unit, Management estimates that, to occur an impairment loss in those cash-generating units, there would have to be a material and significant change in the key assumptions explained previously.

15. Trade and other payables

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

	2016	2015
	US$(000)	US$(000)
Trade payables (b):		
Third parties	78,589	43,307
Related parties, note 31(a)	9,693	14,071
	88,282	57,378
Other payables (b):		
Interest payable	25,900	20,590
Workers' profit sharing (c)	17,303	14,556
Accounts payable for acquisition of non-controlling interest, note 1 (c)	15,760	-
Other taxes and contributions payable	12,807	8,586
Payable due to acquisition of mining concessions (d)	10,000	10,000
Remuneration and Board's fees payable	7,853	5,407
Related parties, note 31(a)	481	1,054
Others	2,862	5,497
	92,966	65,690
Total	181,248	123,068
By maturity:		
Current portion	141,798	103,638
Non-current portion	39,450	19,430
Total	181,248	123,068

(b) Trade accounts payable result from the purchases of material and supplies for the Group operation, and mainly correspond to invoices payable to suppliers. They are non-interest bearing and are normally settled on 30 to 60 days term.

Other payables non-interest bearing and have an average term of 3 months.

(c) Workers' profit sharing -
In accordance with Peruvian legislation, the Company determines the employee profit sharing at the rate of 8% of annual taxable income. The distribution is determined by 50% on the number of days each employee worked during the preceding year and 50% on proportion of their annual remuneration.

(d) Payable due to acquisition of mining concession -

As a result of the acquisition of the subsidiary Marcobre S.A.C., the Group assumed obligations with Shougang Hierro Peru (SHP) and Rio Tinto Mining and Exploration Limited, Sucursal of Peru (Rio Tinto) to acquire mining concessions, mining rights, option rights and technical studies referred to a specific geographic area in the province of Nazca, designated "Target Area 1". According to the contracts signed, there is a fixed consideration (which was fully paid by Marcobre S.A.C. during the years 2007 and 2008), and a conditional consideration of US$10,000,000. Out of this amount, US$3,000,000 shall be paid if the Group decides to initiate production activities and the mineral resources have a metallic content higher than 2.58 million of metric tons of copper. Once the metallic content is higher than 3.44 million of metric tons of copper, the Group shall pay the remaining US$7,000,000.

With the objective to assure the conditional consideration mentioned in the paragraph above, the subsidiary entered into: (i) a mortgage on the mining concession of Target Area 1 for up to US$27,600,000 (which includes the amount of interest, legal fees, costs and expenses in the event necessary to start a legal process to execute the goods subject to the guarantee), which will be effective until the subsidiary had entirely fulfilled each and every one of the guaranteed obligations, and (ii) a pledge on shares issued on behalf of the shareholders of the subsidiary.

As of December 31, 2016 the Company has not adopted the decision to exercise the mining option and has not incurred in any disbursements regarding to this contract.

16. Interest-bearing loans and borrowings

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

Entity	Guarantee	Interest rate	2016	2015
			US$(000)	US$(000)
Corporated bonds, net of issuance costs (c)	No guarantee	6.25%	440,106	439,145
Banco do Brazil	No guarantee	3.60%	56,270	35,481
Banco Itaú	No guarantee	5.70%	30,482	33,798
Banco Santander	No guarantee	5.06%	13,790	10,129
Banco ABC Brazil	No guarantee	4.84%	6,100	5,993
Banco Santos	No guarantee	Tasa CDI + 2%	4,571	3,755
FINAME BNDES (Santander)	Leased assets	6.00%	120	-
FINAME BNDES (Safra)	Leased assets	6.00%	72	-
Banco Safra	No guarantee	4.11%	-	7,995
FINAME BNDES (Banco Itaú)	Leased assets	10.46% - 6%	-	317
BBVA Banco Continental	Leased assets	2.68%	-	172
Banco de Crédito del Perú	Leased assets	4.54%	-	62
			551,511	536,847
By maturity				
currrent portion			106,781	93,793
Non-current portion			444,730	443,054
			551,511	536,847

(b) The following is the movement of financial obligations:

	2016	2015
	US$(000)	US$(000)
Opening balance	536,847	512,330
Additions	96,353	170,364
Payments	(98,268)	(107,602)
Translation	16,579	(38,245)
Final balance	551,511	536,847

(c) The General Shareholders' Meeting held on January 30, 2014, agreed that the Company makes an international bond issue ("Senior Notes") through a private placement, under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also, agreed to list these securities in the Luxembourg Stock Exchange. On January 31, 2014, the Company issued bonds, with a face value of US$450,000,000, with maturity on February 7, 2024 and with a coupon interest rate of 6.25%, obtaining net proceeds of US$441,823,500.

The bonds restrict the ability of Minsur and its Subsidiaries to enter into certain transactions, however, these covenants do not require Minsur to comply with financial ratios or maintain specific levels of net worth or liquidity.

(d) As of December 31, 2016, Minsur S.A. maintains joint guarantee by US$107,499,000 to guarantee the financial obligations of its subsidiary Taboca with the following financial institutions:

- Banco Itaú by US$31,477,000; this joint guarantee shall remain in force until May 25, 2017.
- Banco do Brasil by US$56,168,000; this joint guarantee, has no expiration date.
- Banco Santander Brasil by US$6,089,000; this joint guarantee, has no expiration date.
- Banco ABC Brasil by US$6,089,000; this joint guarantee, has no expiration date.

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

Years	2016	2015
	US$(000)	US$(000)
2017	-	130
2018	41	19
2019	12	10
2020	4,571	3,750
2024	440,106	439,145
	444,730	443,054

17. Provisions

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

	Provision for mine closure (b) US$(000)	Provision for environmental remediation (c) US$(000)	Provision for contigencies (d) US$(000)	Provision for bonuses to employees US$(000)	Total US$(000)
As of January 1, 2015	93,007	35,079	5,246	10,071	143,403
Additions	4,997	20,397	2,893	7,266	35,553
Change in estimates, note 12(a)	9,566	-	-	-	9,566
Accretion, note 27	1,247	(22)	-	-	1,225
Translation	(15,864)	(9,032)	(1,060)	(1,164)	(27,120)
Payments and advances	(854)	(8,428)	(2,309)	(8,352)	(19,943)
Reversals, note 26	-	-	(1,029)	-	(1,029)
Reclassifications	7,391	(7,391)	-	-	-
As of December 31, 2015	99,490	30,603	3,741	7,821	141,655
Additions	1,616	2,013	1,754	10,066	15,449
Translation	8,672	4,708	539	563	14,482
Accretion, note 27	1,888	11,574	-	-	13,462
Change in estimates	9,150	154	-	-	9,304
Payments and advances	(889)	(4,040)	(58)	(8,487)	(13,474)
Reversals, note 26	-	-	(449)	-	(449)
Reclassifications	(15,901)	15,901	-	-	-
As of December 31, 2016	104,026	60,913	5,527	9,963	180,429
Current portion	6,571	12,225	1,398	7,434	27,628
Non-current portion	92,919	18,378	2,343	387	114,027
As of December 31, 2015	99,490	30,603	3,741	7,821	141,655
Current portion	7,607	14,592	2,283	9,477	33,959
Non-current portion	96,419	46,321	3,244	486	146,470
As of December 31, 2016	104,026	60,913	5,527	9,963	180,429

(b) The provision for mine closure is made up as follows:

	Pitinga and Pirapora units US$(000)	Unidad San Rafael, Pucamarca y Pisco US$(000)	Others US$(000)	Total US$(000)
As of January 1, 2015	39,060	52,513	1,434	93,007
Additions, note 26	4,997	-	-	4,997
Change in estimate, note 12(a)	4,534	3,309	1,723	9,566
Accretion	-	1,237	10	1,247
Translation	(15,749)	-	(115)	(15,864)
Payments and advances	-	(854)	-	(854)
Reclassifications	7,391	-	-	7,391
As of December 31, 2015	40,233	56,205	3,052	99,490
Additions, note 12(a)	-	-	1,616	1,616
Translation	8,663	-	9	8,672
Accretion	-	1,813	75	1,888
Change in estimate, note 12(a)	14,835	(6,601)	916	9,150
Payments and advances	-	(64)	(825)	(889)
Reclassifications	(15,901)	-	-	(15,901)
As of December 31, 2016	47,830	51,353	4,843	104,026
Current portion	-	5,794	777	6,571
Non-current portion	40,233	50,411	2,275	92,919
As of December 31, 2015	40,233	56,205	3,052	99,490
Current portion	-	2,947	4,660	7,607
Non-current portion	47,830	48,406	183	96,419
As of December 31, 2016	47,830	51,353	4,843	104,026

The provision for closure of mining units and exploration projects reflects the present value of the closing costs expected to be incurred between 2017 and 2052, in compliance with government regulations, see note 29(a) and (b). The estimated closing costs of mining units are based on studies prepared by independent consultants, which comply with environmental regulations. The provision for closure of mining units relates mainly to activities to be performed for the restoration of the mining units and areas affected by operating activities. The main work to be performed is for earthworks, revegetation works and dismantling of the plants. The closing budgets are regularly reviewed to take into account any significant change in the studies. However, the closing costs of mining units will depend on market prices of closure works required to reflect future economic conditions. Also, the time of the disbursements carried out depends on the life of the mine, which depends of future prices of metals.

As of December 31, 2016, the main assumptions used in the calculation of the present value of the mine closure provision are the following:

	Pirapora and Pitinga units	San Rafael, Pucamarca and Pisco units
Annual risk-free rate	15.92%	Between 1.36% and 4.02%
Years covered by the closure mine	36	14,14 and 26

(c) This includes provision for environmental remediation obligation comprised by the following:

	Pitinga and Pirapora units US$(000) (i)	Sillustani and Barbastro US$(000) (ii)	Marcobre US$(000) (iii)	Total US$(000)
As of January 1, 2015	29,336	4,581	1,162	35,079
Additions, nota 26	5,374	15,023	-	20,397
Accretion	-	(37)	15	(22)
Translation	(8,518)	(514)	-	(9,032)
Payments and advances	(4,578)	(3,831)	(19)	(8,428)
Reclassifications	(7,391)	-	-	(7,391)
As of December 31, 2015	14,223	15,222	1,158	30,603
Additions	-	2,013	-	2,013
Translation	4,708	-	-	4,708
Accretion	11,103	446	25	11,574
Change in estimate	-	144	10	154
Payments and advances	(1,808)	(2,232)	-	(4,040)
Reclassifications	15,901	-	-	15,901
As of December 31, 2016	44,127	15,593	1,193	60,913
Current portion	11,475	750	-	12,225
Non-current portion	2,748	14,472	1,158	18,378
As of December 31, 2015	14,223	15,222	1,158	30,603
Current portion	9,058	4,396	1,138	14,592
Non-current portion	35,069	11,197	55	46,321
As of December 31, 2016	44,127	15,593	1,193	60,913

(i) Includes activities for environmental remediation for mining operations performed in previous years by Paranapenema Group, the former owner of Taboca (Brazilian subsidiary), in Pitinga mine in Brazil. With the support of external specialists, Taboca updated the provision of environmental remediation of Pitinga and Pirapora units at December 31, 2016, by R$143,555,000, equivalent to US$44,127,000 (R$56,312,000, equivalent to US$14,223,000 as of December 31, 2015).

(ii) It mainly includes activities for environmental restoration in Puno region for mining operations performed by the subsidiary Sillustani. This provision amounts to US$14,720,000 as of December 31, 2016 (US$14,358,000 as of December 31, 2015) and includes activities to improve drainage systems, water treatment, wetland rehabilitation, among other works that shall be executed during the years 2017 to 2029.

Liabilities for the usufruct of land and additional rights with rural communities Tinyacclla and Rio de la Virgen which correspond to contracts of leases signed with the Rural Community of Tinyacclla and Rio de la Virgen, by which it is awarded to the Company right to carry out exploration and mining for a period of 25 and 15 years respectively.

The present value of the obligation at December 31, 2016 for the usufruct contract with the Rural Community Tinyacclla and Rio de la Virgen which amounts approximately to US$627,000 and US$246,000 (US$608,000 and US$256,000 as of December 31, 2015), respectively.

(iii) This obligation is related with restoration activities in explorations area of Mina Justa Project which is operated by the Subsidiary Marcobre S.A.C. and includes activities such as earthwork, revegation and the dismantling of all facilities. This obligation is expected to be incurred between 2017 and 2018, according to environmental regulations.

(d) Provision for contingencies -
This caption is made up of the following:

Brazilian subsidiary –
Includes claims for payments of severance indemnities of ex-workers by US$2,412,000 (US$1,575,000 as of December 31, 2015); sanctions imposed by the environmental agency of Amazonas Brazil by US$660,000 (US$550,000 as of December 31, 2015), and other minor contingencies by US$ 172,000 (US$218,000 as of December 31, 2015).

Peruvian subsidiary –
Includes environmental contingencies arising from processes filed by the Agency for Assessment and Environmental Control (OEFA) for US$2,283,000 (US$1,398,000 as of December 31, 2015).

18. Deferred income tax assets and liabilities, net

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

	As of January 1, 2015 US$(000)	Effect on profit or loss US$(000)	Retained earnings US$(000)	Translation US$(000)	Effect in other comprehensive income US$(000)	As of December 31, 2015 US$(000)	Effect on profit or loss US$(000)	Translation US$(000)	Effect in other comprehensive income US$(000)	As of December 31, 2016 US$(000)
Deferred income tax assets										
Differences in accounting and tax basis of mining concessions	26,423	5,818	(6,336)	-	-	25,905	(171)	-	-	25,734
Tax benefits from acquisition of Taboca S.A.	28,462	1,015	-	(9,536)	-	19,941	1,070	4,397	-	25,408
Provision for mine closure	13,862	948	-	-	-	14,810	349	-	-	15,159
Differences in accounting and tax basis of fixed assets	-	8,140	-	-	-	8,140	5,755	-	-	13,895
Others	5,143	4,908	-	-	-	10,051	4,443	(166)	-	14,328
	73,890	20,829	(6,336)	(9,536)	-	78,847	11,446	4,231	-	94,524
Deferred income tax liabilities										
Exchange difference of non-monetary items	(6,413)	(16,273)	-	-	-	(22,686)	4,106	-	-	(18,580)
Differences in accounting and tax basis of mining concessions	(172,196)	156,155	-	-	-	(16,041)	(28)	-	-	(16,069)
Assets retirement costs	(8,334)	798	-	-	-	(7,536)	2,133	-	-	(5,403)
Development costs	(5,169)	446	-	-	-	(4,723)	(500)	-	-	(5,223)
Differences in accounting and tax basis of fixed assets	(5,186)	2,690	-	678	-	(1,818)	407	(371)	-	(1,782)
Differences in accounting and tax basis of inventories	(888)	276	-	-	-	(612)	219	-	-	(393)
Others	(77)	(201)	-	-	(397)	(675)	(282)	-	(739)	(1,696)
	(198,263)	143,891	-	678	(397)	(54,091)	6,055	(371)	(739)	(49,146)
Deferred income tax assets (liability), net	(124,373)	164,720	(6,336)	(8,858)	(397)	24,756	17,501	3,860	(739)	45,378
Mining royalties (MR) and Special mining tax (SMT)										
Deferred assets										
Differences in accounting and tax basis of fixed assets	-	1,874	-	-	-	1,874	1,477	-	-	3,351
Exploration expenses	623	512	-	-	-	1,135	220	-	-	1,355
	623	2,386	-	-	-	3,009	1,697	-	-	4,706
Deferred liabilities										
Exchange difference for non-monetary items	(1,082)	(1,865)	-	-	-	(2,947)	409	-	-	(2,538)
Differences in accounting and tax basis of inventories	(151)	20	-	-	-	(131)	108	-	-	(23)
Differences in accounting and tax basis of fixed assets	(544)	544	-	-	-	-	-	-	-	-
	(1,777)	(1,301)	-	-	-	(3,078)	517	-	-	(2,561)
Deferred tax liability of MR and SMT, net	(1,154)	1,085	-	-	-	(69)	2,214	-	-	2,145
Total deferred income tax assets (liability), net	(125,527)	165,805	(6,336)	(8,858)	(397)	24,687	19,715	3,860	(739)	47,523

These amounts are presented in the consolidated of statement of financial position in accordance with the presentation in the financial statements of each entity of the Group, as follows:

	2016 US$(000)	2015 US$(000)
Deferred income tax assets	85,795	48,684
Deferred income tax liabilities	(38,272)	(23,997)
	47,523	24,687

(b) The reconciliation of the income tax expense (income) and the profit (loss) before taxes times the tax rate of 2016 and 2015, is presented below:

	2016 US$(000)	2015 US$(000)
Profit (loss) before income tax	141,815	(646,331)
At statutory income tax rate	(36,960)	173,024
Effect of permanent differences, net	(12,736)	1,708
Provision of tax losses	(4,949)	(36,276)
Update of fixed asset an intangible tax basis	(1,494)	3,159
Tax credit	(410)	5,265
Participation in results from associates	8,277	3,475
Translation	4,336	(33,474)
Effect of mining royalties	5,145	3,234
Effect of the change in income tax rate	924	-
Other	56	5,034
Prior year adjustment	-	(6,336)
Income tax (expense) income	(37,811)	118,813
Mining royalties and special mining tax	(16,162)	(10,464)
Total	(53,973)	108,349

(c) This expense arises from maintaining the US dollar as a functional currency for accounting purposes and soles for tax purposes. During 2016, the variation of the exchange rate was S/3.413 to S/3.360 resulting in the aforementioned income, which does not imply a disbursement affecting the Group's cash flow.

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

	2016 US$(000)	2015 US$(000)
Income tax		
Current	(55,312)	(45,907)
Deferred	17,501	164,720
	(37,811)	118,813
Mining royalties and special mining tax		
Current	(18,376)	(11,549)
Deferred	2,214	1,085
	(16,162)	(10,464)
Total **of income tax**	(53,973)	108,349

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

19. Equity

(a) Capital stock -
As of December 31, 2016 and 2015, the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, is represented by 19,220,015 common shares with a nominal value of S/100.00 each one.

(b) Investment shares -
As of December 31, 2016 and 2015, this caption is made up of 960,999,163 investment shares, with a nominal value of S/1 each one.

According to the current legislation, the investment shares grant the holders the right to participate in the dividend distribution, make contributions to maintain its share in the case of capital increases as a result of additional contributions, increase the investment shares account due to the capitalization of equity accounts, redemption of shares and participation in the distribution of the equity in case of dissolution. The investment shares do not grant access to the Board of Directors or to the Shareholders' meetings. The investment shares of the Company are listed on the Lima Stock Exchange (BVL).

The quotation of these shares as of December 31, 2016 was S/1.45 per share and its frequency of negotiation was 80% (S/0.50 per share as of December 31, 2015 with a frequency of negotiation of 70%).

(c) Legal reserve -
The Peruvian General Corporation Law requires that a minimum of 10% of the distributable earnings for each period, after deducting the income tax, needs to be transferred to a legal reserve until such is equal to 20% of the capital. This legal reserve can offset losses or can be capitalized, in both cases there is the remaining the obligation to replenish it.

For the years 2016 and 2015, the Company has not increased its legal reserve because it reached the limit mentioned above.

(d) Reinvested earning -
As of December 31, 2016 and 2015, this balance is made up of reinvested profits approved in prior years by US$39,985,000.

(e) Declared and paid dividends -
Below is the information on declared and paid dividends during the year 2015:

Board/session	**Date**	**Dividends declared and paid**	**Dividends per common share**	**Dividends per investment share**
		US$(000)	US$	US$
Dividends 2015				
Shareholders' meeting	March 26	50,000	1.73	0.017

No dividends have been declared or paid in 2016.

(f) Cumulative translation adjustment -

This caption corresponds to the exchange difference resulting from the translation of the financial statements of the foreign subsidiaries and associates, into the functional currency of the Group.

During 2016, the resulting exchange difference was a gain net of US$49,910,000 (which includes a translation gain of US$40,238,000 from Brazilian subsidiary, a translation gain of US$8,820,000 from the associate Inversiones Cordillera del Sur Ltda. of Chile, and a translation gain of US$852,000 for the other subsidiaries and associates). During 2015, the resulting translation result was a loss of US$135,938,000 (which includes a translation loss of US$90,563,000 from the Brazilian subsidiary, a translation loss of US$38,097,000 from the associate Inversiones Cordillera del Sur Ltda. of Chile and a translation loss of US$7,278,000 for the other subsidiaries and associates). These exchange differences are included in the consolidated statement of comprehensive income.

20. Tax situation

(a) Peruvian tax -

The Company is subject to the Peruvian tax system.

Until December 31, 2016, through Law No. 30296 published on December 31, 2014, the current income tax regime established the following:

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

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

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

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

- An income tax rate of 29.5% is set.

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

(b) Tax Situation

Minsur S.A

The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2012 to 2016 and value added tax (VAT) for the years 2011 to 2016 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2010, and the value added tax and value added tax for the years 2000 to December 2008, see note 30(a).

Brazilian subsidiaries –

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of December 31, 2016 and 2015, the income tax rate is 34% of taxable income. Cash dividends in favor of non-domiciled shareholders are not taxed. The years open of review are from 2012 to 2016.

The tax loss carryforward determined by Mineração Taboca S.A. as of December 31, 2016 amounts to US$427,003,000 (US$326,786,000 as of December 31, 2015). The tax loss does not expire according to Brazilian tax regime, but its offsetting is limited to 30% of the taxable income of each future period.

Peruvian subsidiaries -

The income tax returns from 2012 to 2016 and the value added tax returns from 2013 to 2016 of the Peruvian subsidiaries are pending review by the tax authorities.

As of December 31, 2016 and 2015, the tax losses of the Peruvian subsidiaries are as follow:

	2016 US$(000)	2015 US$(000)
Marcobre S.A.C.	16,734	14,273
Cumbres Andinas S.A.	2,860	4,983
Minera Sillustani S.A.C.	2,732	1,750
Compañía Minera Barbastro S.A.C.	1,323	234
Minera Latinoamericana S.A.C.	111	-

As of December 31, 2016, these subsidiaries have not recognized deferred income tax asset originated by the tax loss carryforward by US$6,324,000 (US$5,522,000 as of December 31, 2015), because management has no certainty about the future realization of such tax losses.

(c) Transfer pricing-

For the purposes of determining current income tax, the prices and amounts of those consideration that have been agreed upon in transactions between related parties or that are carried out from, to or through countries or territories of low or zero taxation, must have documentation and information to support the valuation methods and criteria applied in their determination. The Tax Administration is entitled to request this information from the Group. Based on the analysis of the Group's operations, Management and its legal advisors are of the opinion that, as a consequence of the application of these rules, no material contingencies will arise as of December 31, 2016 and 2015.

21. Net sales

The composition of this caption is presented below:

	2016 US$(000)	2015 US$(000)
Tin and other minerals	465,168	441,658
Gold	132,883	140,040
Niobium and tantalum	28,561	36,652
	626,612	618,350
Embedded derivative for sale of tin	133	260
Loss on derivative financial instruments, note 35(a)	(9,697)	-
	617,048	618,610

22. Cost of sales

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Opening balance of finished product inventory	19,754	35,680
Opening balance of product in process inventory	35,011	47,634
Services rendered by third parties	105,248	88,070
Wages and salaries	87,464	84,920
Consumption of raw material and miscellaneous supplies	78,034	70,046
Depreciation, note 12(b)	53,313	76,821
Purchase of mining services from AESA S.A., note 31(b)	32,608	42,292
Electricity	14,853	12,661
Purchase of explosives from Exsa S.A.	6,801	7,299
Amortization, note 13(b)	6,696	7,927
Allowance for obsolescence of materials and supplies, note 8(c)	482	136
(Recovery) allowance for impairment of inventories, note 8(b)	(1,281)	115
Other manufacturing expenses	6,185	108
Final balance of work in process inventory	(45,884)	(35,011)
Final balance of finished product inventory	(18,898)	(19,754)
	380,386	418,944

23. Administrative expenses

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Personnel expenses	26,289	27,431
Services provided by third parties	9,794	9,951
Advice and consulting	2,958	2,515
Sundry expenses	2,426	2,714
Depreciation, note 12(b)	742	636
Supplies	37	1
Amortization, note 13(b)	19	7
	42,265	43,255

24. Selling expenses

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Third-party services	3,834	4,257
Wages and employee benefits	1,107	1,170
Sundry expenses	635	753
Sales commissions	440	1,719
Depreciation, note 12(b)	7	7
Reversal of the estimation for doubtful accounts, note 7(d)	(1,377)	(142)
	4,646	7,764

25. Exploration and evaluation expense

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Services provided by third parties	18,516	24,197
Personnel expenses	5,071	9,274
Purchase of contract services to AESA S.A., note 31(b)	1,600	3,048
Sundry expenses	1,496	2,366
Depreciation, note 12(b)	1,176	1,295
Amortization, note 13(b)	542	534
Supplies	263	434
	28,664	41,148

26. Others, net

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Other operating income:		
Revenue on sale of supplies and raw material	2,959	4,284
Taboca provisions recovery	1,503	-
Income for advisory services	1,474	1,216
Lease of property and equipment	1,054	134
Reversal of provision for tax credits operations in Brazil	854	3,639
Revenue from sale of property, plant and equipment	793	54
Reversal of provision for contingencies, note 17(a)	449	1,029
Others	1,976	1,417
	11,062	11,773
Other operating expenses:		
Taxes assumed for financial costs of debt and other provisions	(3,303)	(1,403)
Net cost of property, plant and equipment withdrawn	(3,087)	(15,192)
Cost of sale of supplies and raw material	(2,374)	(3,656)
Adjustment for physical inventory of supplies	(2,250)	(88)
Environmental remediation expenditures and others	(2,157)	(20,397)
Contingencies expenditures, note 17(a)	(1,754)	(2,893)
Indemnification	(1,689)	-
Miscellaneous charged-off credits	(1,671)	(1,603)
Contributions to regulators	(1,432)	(1,619)
Deductible donations	(1,407)	(1,456)
Retirement fund for mining workers	(987)	(822)
Expenditure on temporary shutdowns	(385)	(802)
Depreciation, note 12(b)	(157)	(249)
Mine closure expenditures, note 17(b)	-	(4,997)
Others	(4,870)	(2,800)
	(27,523)	(57,977)
Total others, net	(16,461)	(46,204)

27. Finance income and costs

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Finance income:		
Interest on time deposits	1,971	1,523
Interests on certificates of deposit	1,912	1,998
Other	1,165	976
Accretion, note 17(a)	-	37
	5,048	4,534
Finance costs:		
Interest on corporate bond	(28,125)	(27,928)
Bank loans interests and commissions	(7,687)	(14,465)
Amortization of issuance costs of corporate bond	(961)	(1,204)
Other	(1,046)	(777)
Interest expenses	(37,819)	(44,374)
Accretion, note 17(a)	(13,462)	(1,262)
	(51,281)	(45,636)

28. Earnings per share (EPS)

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

The calculation of the earnings per share is presented below:

	2016 US$	2015 US$
Numerator -		
Net Income (loss)	87,842,000	(537,982,000)
	Number of stockshare	**Number of stockshare**
Denominator -		
Common stockshares, note 19(a)	19,220,015	19,220,015
Investment shares, note 19(b)	960,999,163	960,999,163
Profit (loss) per stockshare		
Basic diluted - US$ per common share	3.05	(18.66)
Basic and diluted - US$ per invesment share	0.03	(0.19)

The basic and diluted earnings (loss) per share are the same since there are no dilutive financial instruments over the profits.

There have been no other transactions involving common shares and investment shares between the reporting date and the date of the authorization of these consolidated financial statements.

29. Commitments

(a) Minsur -

(i) Environmetal Impact Study (EIA)

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

(ii) Law of Mine Closure in Peru -

On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", which purpose is to regulate the obligations and procedures that mining companies should comply for the elaboration, filling and implementation of the Mine Closure Plan, as well as to require the establishment of environmental guarantees to secure fulfillment of related mine closure plan. The corresponding ruling was approved on August 15, 2005 by means of Supreme Decree No.033-2005-EM.

As of December 31, 2016, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US$51,353,000 (US$56,205,000 as of December 31, 2015). See movement of this provision in note 17(b).

(iii) Commitment of future sales ("Off take agreement") -

Subsidiary Marcobre S.A.C. subscribed an option with LG Nikko Copper Inc., whereby it agrees to sell to LG Nikko Copper Inc. a maximum of 30% of the annual production of copper concentrates and/or up to 30% of the Annual production of copper cathodes for a period of 10 consecutive years, respectively, of the mining concession comprising the Mina Justa Project in accordance with the final feasibility study of this project approved by the Board of Directors of Marcobre S.A.C. once the final feasibility study has been approved by the Board of Directors of Marcobre S.A.C.

(b) Mineração Taboca S.A.-

In compliance with the current environmental regulations in Brazil, Taboca has recorded a provision for closure of operations of Pitinga unit for US$47,830,000 as of December 31, 2016 (US$40,233,000 as of December 31, 2015). See movement of this provision in note 17(b).

30. Contingencies

Peruvian entities -

(a) As a result of the tax reviews made to the years from 2000 to 2010, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/101,046,000 (equivalent to US$30,243,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution. Management and its legal advisors estimate that this appeal will be favorable resolved in the interests of the Group.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of December 31, 2016, the accumulated payments under protest amounted to US$24,091,000 (US$23,678,000 as of December 31, 2015). The Group will recognize these contingencies when its collection will be virtually certain.

(b) In the appeal presented by the Group to the tax authorities for the fiscal year 2002, the Group included a claim for income tax payments made in excess in such year for S/104,708,000 (equivalent to US$31,185,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,847,142 shares of Union de Cervecerias Backus y Johnston S.A.A., occurred in July 2002. The Group will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Group.

(c) Sanctioning administrative processes -

During 2016, and prior years, the Group has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" for its acronym in spanish), National Authority of Water ("ANA" for its acronym in spanish) and OSINERGMIN, respectively. Such notifications are related to breaches of the procedures for the protection and conservation of the environment and the rules of mining health and safety. The administrative sanctions from OSINERGMIN, ANA and OEFA amounted to 225,001 tax units - TU (equivalent to US$271,207,000 as of December 31, 2016). In relation to these notifications, the Group has appealed these sanctions, being currently pending of resolution.

Management and its legal counsels have analyzed these processes and they have estimated a contingency of US$5,527,000 (US$ 3,741,000 as of December 31, 2015), which is presented under "Provisions" in the Consolidated statements of financial situation (refer to note 17(d)).

Brazilian entities -
Mineração Taboca S.A. and its subsidiary have tax, labor, and other contingencies which are classified as possible. The main possible contingencies are detailed bellow:

(d) Lawsuit with Banco Santos
Mamoré, the subsidiary of Taboca, is involved in five lawsuits initiated by Banco Santos, Fund Basa de Investimento Financiero and Mellon Aroveredo Fundo de Investimento Multimercado Previdenciario (Mellon Aroveredo) in relation to an alleged failure to pay credit agreements originally signed with Banco Santos during the years 2005 to 2007. These eight claims include three lawsuits in which it is jointly involved with Mamoré, the former parent company Paranapanema. Of all these claims, in the opinion of the Group's and Management's legal advisors, the remaining claims have a risk of loss classified as possible and amount to approximately R$162,327,000 (equivalent to approximately US$49,898,000), R$130,688,000 (equivalent to US$33,008,000 as of December 31, 2015).

(e) Civil, Labor and tax proceedings -
Taboca and its subsidiaries keeps civil, labor and tax processes that involve risk of potential losses according to the assessment made by management and its legal counsel, consequently for those possible contingencies were not made any provision which amount to R$5,049,000, R$9,693,000 and R$9,430,000, respectively (equivalent to approximately US$1,552,000, US$2,980,000 and US$2,899,000) as of December 31, 2016, (R$5,268,000, R$10,942,000 and R$10,112,000, respectively (equivalent to approximately US$1,331,000, US$2,764,000 and US$2,554,000) as of December 31, 2015).

As of December 31, 2016, in opinion of management and its external legal counsel, the resolution of tax, labor, civil and other contingencies, classified as possible contingencies would not result in additional liabilities to those already recorded by the Group.

31. Related parties transactions

(a) Receivable and payables -

The balances of receivables and payables with related entities as of December 31, 2016 and 2015 are as follows:

	2016	2015
	US$(000)	US$(000)
Other receivables (current):		
Compañía Minera Raura S.A.	204	289
Administración de Empresas S.A.	93	147
Others	7	9
	304	445
Payables (current):		
Administración de Empresas S.A.	8,521	12,312
Exsa S.A.	1,123	1,757
Clínica Internacional. S.A.	182	244
Inversiones San Borja S.A	176	-
Constructora AESA S.A.	49	2
Rímac Seguros y Reaseguros	40	127
Protección Personal S.A.	19	5
Centría Servicios Administrativos S.A.	18	228
Rímac S.A. Entidad prestadora de salud	15	236
Inversiones Nacionales de Turismo S.A.	11	28
Urbanizadora Jardín S.A.	10	48
Corporación Peruana de Productos Químicos S.A.	9	76
Bodegas Viña de Oro	1	-
Compañía Minera Raura S.A.	-	45
Estratégica S.A.C.	-	17
	10,174	15,125
By nature:		
Trade, note 15(a)	9,693	14,071
Others, note 15(a)	481	1,054
	10,174	15,125

There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

(b) Main transactions -

The main transactions occurred during the years 2016 and 2015 were the following:

	2016	2015
	US$(000)	US$(000)
Administración de Empresas S.A. (AESA) – Mining services, notes 22 and 25	34,208	45,340
Exsa S.A. – Purchase of explosive and others	7,265	7,518
Rímac Seguros y Reaseguros – Insurance coverage services	4,533	2,466

Transactions with related parties are made at terms equivalent to those prevail in arm's length transactions.

(c) Remunerations -

The compensation received by the key personal of the Group for the years ended December 31, 2016 and 2015 was recognized as an expense in the consolidated statement of profit or loss and these are as follows:

	2016	2015
	US$(000)	US$(000)
Peru		
Salaries	11,188	10,269
Board remuneration	420	420
	11,608	10,689
Brazil		
Fixed remuneration	3,292	1,917
Variable remuneration	563	543
	3,855	2,460
Total	15,463	13,149

The Company does not compensate Management with post-employment or contract termination benefits or share-based payments.

32. Segment information

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

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

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

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

	Tin y Gold (Peru)							
	Tin (Peru)	Gold (Peru)	Other not allocable (a) (Peru)	Total (Peru)	Tin (Brazil)	Mining exploration (Peru and Chile)	Adjustments and eliminations	Total Consolidated
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$ (000)
Year 2016								
Results:								
Net sales from third parties	356,317	133,333	-	489,650	127,398	-	-	617,048
Cost of sales	(173,714)	(60,291)	-	(234,005)	(146,381)	-	-	(380,386)
Administrative expenses	(20,617)	(7,156)	-	(27,773)	(11,778)	(2,714)	-	(42,265)
Selling expenses	(1,989)	(690)	-	(2,679)	(1,967)	-	-	(4,646)
Exploration and evaluation expenses	(11,224)	(3,896)	-	(15,120)	-	(13,544)	-	(28,664)
Other expenses, net	(4,853)	(1,685)	-	(6,538)	(6,862)	(3,061)	-	(16,461)
Operating income (loss)	143,920	59,615	-	203,535	(39,590)	(19,319)	-	144,626
Profit (loss) before income tax	-	-	146,620	146,620	(45,400)	4,179	36,416	141,815
Income tax	-	-	(58,771)	(58,771)	1,394	3,404	-	(53,973)
Profit (loss), net	-	-	87,849	87,849	(44,006)	7,583	36,416	87,842
Assets:								
Cash and cash equivalents	-	-	341,139	341,139	2,247	40,130	-	383,516
Inventory, net	39,657	20,437	-	60,094	39,799	322	-	100,215
Current assets	94,002	20,831	404,995	519,828	78,879	41,483	(8,418)	631,772
Property, plant and equipment and intangibles, net	151,558	152,257	-	303,815	383,780	230,874	(1,847)	916,622
Total assets	245,560	173,088	1,377,248	1,795,896	504,305	907,837	(1,045,669)	2,162,369
Liabilities:								
Financial obligations	-	-	440,106	440,106	111,405	-	-	551,511
Current liabilities	8,645	446	102,546	111,637	171,364	22,935	(8,427)	297,509
Total liabilities	44,586	12,911	542,652	600,149	277,673	97,036	(8,427)	966,431
Other disclosures:								
Additions of fixed assets, intangibles	35,126	7,902	-	43,028	67,273	17,427	-	127,728
Depreciation and amortization (included in costs and expenses)	(15,931)	(27,357)	-	(43,288)	(18,002)	(1,362)	-	(62,652)
Operating activities	-	-	167,708	167,708	(14,222)	(15,309)	6,804	144,981
Investing activities	-	-	(290,477)	(290,477)	(87,402)	(209,974)	464,063	(123,790)

	Tin y Gold (Peru)							
	Tin (Peru)	Gold (Peru)	Other not allocable (a) (Peru)	Total (Peru)	Tin (Brazil)	Mining exploration (Peru and Chile)	Adjustments and eliminations	Total Consolidated
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$ (000)
Year 2015								
Results:								
Net sales from third parties	347,289	140,040	-	487,329	131,281	-	-	618,610
Cost of sales	(206,896)	(71,783)	-	(278,679)	(140,265)	-	-	(418,944)
Administrative expenses	(21,432)	(7,436)	-	(28,868)	(11,972)	(2,415)	-	(43,255)
Selling expenses	(6,198)	(101)	-	(6,299)	(1,466)	1	-	(7,764)
Exploration and evaluation expenses	(25,822)	(451)	-	(26,273)	-	(14,875)	-	(41,148)
Impairment loss	-	-	-	-	-	(640,528)	-	(640,528)
Other expenses, net	(3,619)	(1,256)	-	(4,875)	(13,393)	(27,567)	(369)	(46,204)
Operating income (loss)	83,322	59,013	-	142,335	(35,815)	(685,384)	(369)	(579,233)
(Loss) profit before income tax	-	-	(372,169)	(372,169)	(80,203)	(563,983)	370,024	(646,331)
Income tax	-	-	(49,661)	(49,661)	1,705	172,345	(16,040)	108,349
(Loss) profit, net	-	-	(421,830)	(421,830)	(78,498)	(391,638)	353,984	(537,982)
Assets:								
Cash and cash equivalents	-	-	383,001	383,001	5,635	2,004	215	390,855
Inventory, net	42,436	18,996	-	61,432	28,005	202	-	89,639
Current assets	87,540	18,996	406,390	512,926	55,107	4,766	(224)	572,575
Property, plant and equipment and intangibles, net	139,822	173,462	-	313,284	259,617	211,534	(1,957)	782,478
Total assets	227,362	192,458	1,213,704	1,633,524	354,712	787,345	(834,800)	1,940,781
Liabilities:								
Financial obligations	-	-	439,379	439,379	97,468	-	-	536,847
Current liabilities	8,972	1,154	81,794	91,920	125,981	7,456	-	225,357
Total liabilities	47,370	13,167	520,939	581,476	186,451	57,938	-	825,865
Other disclosures:								
Additions of fixed assets, intangibles	25,150	7,064	-	32,214	29,570	18,212	(3,309)	76,687
Depreciation and amortization (included in costs and expenses)	(30,390)	(34,249)	-	(64,639)	(21,314)	(1,523)	-	(87,476)
Operating activities	-	-	108,159	108,159	(17,995)	(13,387)	(37,030)	39,747
Investing activities	-	-	(63,878)	(63,878)	(96,544)	(26,747)	113,157	(74,012)

Geographic information

The following table presents net sales of tin, other minerals and gold by geographic region:

	2016 US$(000)	2015 US$(000)
Tin and other minerals		
Europe	223,738	210,352
America	149,084	182,087
Asia	71,711	56,233
Brazil	43,650	28,974
Peru	5,546	664
Gold		
United States	85,218	140,040
Europe	47,665	-
	626,612	618,350
Embedded derivative for sales of tin	133	260
Loss of derivate financial instruments, note 35(a)	(9,697)	-
	617,048	618,610

33. Financial instrument risk management, objectives and policies

33.1. Financial risk factors -

The Group's main financial liabilities, other than derivatives, comprise financial liabilities, trade payables and other payables. The main purpose of the financial liabilities is to finance the Group's operations. The Group's main financial assets include cash and term deposits and trade and other receivables that derive directly from its operations. The Group also holds available-for-sale financial investments and financial assets at fair value through profit or loss.

The Group's activities are exposed to different financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's financial risk management program focuses on mitigating potential adverse effects on its financial performance of the Group.

Risk management is carried out by the Chief Financial Officer which follows the policies approved by the Board of Directors.

(i) Market risks-

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices involve three types of risk: the risk of exchange rate, the interest rate risk and price risk. Financial instruments affected by market risk include bank deposits and time deposits, receivables and payables in currencies other than US dollar, financial assets at fair value and borrowings.

Sensitivity analyzes included in the following sections relate to the financial position as of December 31, 2016 and 2015

These sensitivity analyzes have been prepared on the basis that the amount of debt, the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants to December 31, 2016 and 2015.

Foreign currency risk –
The Group operates internationally and its exposure to exchange risk results from its operations carried out in currencies other than its functional currency. The transactions of the Group are mainly settled in U.S. dollars, Brazilian reales and Soles. Although to a lesser extent, the Group also has operations in other currencies such as Chilean pesos. As a result, the Group is exposed to the foreign exchange risk fluctuation.

The following table shows the sensitivity in the results of the Group in the years 2016 and 2015 if the Sol had revalued/devalued 10% with respect to US dollar.

Years	**Revaluation/ devaluation in the exchange rate**	**Effect on profit (loss) before income tax** US$(000)
2016	10%	4,989
	-10%	(4,989)
2015	10%	962
	-10%	(962)

Price risk –
Investments:
The Group is exposed to the risk of fluctuation in the prices of its investments maintained and classified in its consolidated statement of financial position at fair value through profit and loss and available-for-sale financial investments. The Group diversifies its investment portfolio in order to reduce its exposure to price risk. The diversification of the portfolio is carried out in accordance with the limits established by Management.

The following table shows the sensitivity in the results of the Group in the years 2016 and 2015 if the price of the financial instruments listed in the market had increased/reduced 5% and the rest of the variables had remained constant:

Years	Increase/decrease of price	Effect on profit (loss) before income tax US$(000)
2016	5%	8,495
	-5%	(8,495)
2015	5%	8,397
	-5%	(8,397)

Changes risk in mineral prices –
The international tin price has a significant impact on the results of operations of the Group. These tin and gold prices historically have fluctuated and are influenced by factors beyond the control of the Group. The Group manages its price risk primarily through the use of sales commitments under customer contracts and underwriting derivative contracts for the metals it markets.

The Company and the subsidiary Mineração Taboca entered into derivative contracts that qualify as cash flow hedges, with the intention of covering the risk resulting from the fall in prices of tin and gold. These derivative contracts were recorded as assets or liabilities in the statement of financial position, and are presented at fair value. To the extent that these hedges were effective to offset future cash flows from the sale of related production, changes in fair value were deferred in an equity account. Deferred amounts were reclassified to sales when the corresponding production was sold.

As of December 31, 2016, as a result of such hedging operations, the Group has recognized a receivable of US$394,000 and an account receivable of US$5,487,000, which were already collected and paid in January 2017.

The Group has price risk from its sales contracts established at provisional prices, subject to a future price in a given month, based mainly on the average monthly price in the LME. To the extent that the final price are higher or lower initially provisionally recorded, the increase or decrease in income is recorded at each date of the financial report until the date of the final settlement.

The table below summarizes the impact of changes in prices of tin in profit before income tax. This analysis is based on the assumption that the price of tin has increased or decreased by 5%, while all other variables are held constant. Positive scenario for 2016 was considered an average price of US$/MT 22,809; while for the negative scenario was considered an average price of US$/MT 18,662.

In the case of gold sales, these are made at market prices on the date of delivery, which are not subject to provisional pricing, or price risk associated with it.

Years	Increase/decrease of price	Effect on profit (loss) before income tax US$(000)
2016	10%	2,602
	-10%	(2,602)
2015	10%	3,487
	-10%	(3,487)

(ii) Credit risk -

The Group's financial assets potentially exposed to credit risk concentrations are mainly bank deposits and trade receivables. With regard to bank deposits, the Group reduces the probability of significant credit risk because its deposits are held in first class financial institutions, and limits the amount of exposure to credit risk in any financial institutions.

With regard to trade receivables, there are no significant concentrations since the Group has established policies to ensure that the sale of its production is made to clients with an adequate credit history. The maximum exposure to credit risk of the consolidated statement of financial position as of December 31, 2016 and 2015 is given by the balance of the captions cash and cash equivalents, trade and other receivables.

Financial instruments and bank deposits -

The credit risk in bank balances is managed by the Chief Financial Officer in accordance with Group policies. The counterparty credit limits are reviewed by management and the Board. The limits are established to minimize the risk concentration and therefore mitigate financial losses from potential default of the counterparty.

Trade receivables -

Customer credit risk is managed by the Management, subject to policies, procedures and controls set properly. The balances of receivable are periodically reviewed to ensure their recovery. Sales of tin and gold are conducted primarily to foreign customers located mainly in Europe and United States.

Other receivables-
These receivables are not related to the main operating activities of the Group. The Group's management constantly monitors the credit risk of these items and periodically evaluates those debts that show impairment indicators to determine the required allowance for doubtful accounts.

(iii) Liquidity Risk –
The prudent administration of the liquidity risk implies maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of committed financing sources and the capacity to close market positions. In this sense, the Group does not have significant liquidity risks since, historically, the cash flows of its operations have allowed it to maintain sufficient cash to mitigate its obligations.

The Group permanently monitors the liquidity reserves based on the permanent analysis of its working capital (liquidity ratio) and on projections of its cash flows that consider the future prices of the products that it sells and the costs necessary for their production and sale.

The following table shows the maturities of liabilities in the consolidated statement of financial position as of December 31, 2016 and 2015:

	On demand	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due in more than 5 years	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2016						
Interest-bearing loans and borrowings:						
Principal	-	-	106,781	4,623	450,000	561,404
Future interest	-	14,062	14,062	140,625	42,189	210,938
Trade and other payables	-	98,711	5,087	23,727	15,760	143,285
	-	112,773	125,930	168,975	507,949	915,627
As of December 31, 2015						
Interest-bearing loans and borrowings:						
Principal	-	128	93,665	13,339	450,000	557,132
Future interest	-	14,062	14,062	140,625	70,312	239,061
Trade and other payables	-	73,629	1,460	19,430	-	94,519
	-	87,819	109,187	173,394	520,312	890,712

33.2. Capital risk management -

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its shareholders, benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The policy of the Group consists on financing all its projects with a conservative mix of own cash resources and debt. With this objective Management use to make capital contributions and/or loans to its subsidiaries in Brazil and Chile, the additional needs are covered by bank loans. In order to achieve this, the Group periodically capitalizes its earnings and if necessary adjusts the amount of the dividends payable to its shareholders.

34. Financial asset and financial liabilities

(a) Financial assets and liabilities –

	2016	2015
	US$(000)	US$(000)
Financial assets at fair value		
Financial assets at fair value through profit or loss, note 9	6,072	6,412
Available-for-sale financial investments:		
Public quotation traded mutual funds	128,810	125,998
Certificates of deposit without public quote	36,890	66,500
Total available-for-sale investments, note 10	165,700	192,498
Total financial instruments at fair value	171,772	198,910
Financial liabilities		
Embedded derivatives for sale of tin, note 35	165	298
Derivative financial instruments	3,855	-
Total financial instruments at fair value	4,020	298

Financial assets –

Financial instruments at fair value through profit or loss and the available for sale financial investments reflect fair value of the assets.

Except financial instruments at fair value through profit or loss and available-for-sale financial investments, all financial assets which included cash and cash equivalents and trade and other receivables are classified in the category of loans and receivables are held to maturity and generate revenue for fixed or variable interest. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities -

All financial liabilities of the Group, excepting the embedded derivative from tin sales, include trade and other payables and Senior Notes which are classified as loans and borrowings and are carried at amortized cost.

(b) Fair values -

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under the assumption that the entity is a going concern.

The following methods and assumptions were used to estimate the fair values:

Financial instruments whose fair value is similar to the carrying book value -

For financial assets and liabilities that are liquid or have short maturities (less than three months), as cash and cash equivalents, net trade and other receivables, net trade and other accounts payable and other current liabilities are considers that the carrying value is similar to fair value.

Financial instruments at fixed and variable rate -

The fair value of financial assets and liabilities that are subject to fixed and variable rates is determined by comparing the interest rates at inception with the current market interest rates for similar instruments. The fair value of deposits that yield interest are determined by using the discounted cash flows method by using market interest rates for the currency, and similar maturities and credit risks.

Based on the above, then a comparison between the carrying amounts and fair values of financial instruments of the Group presented in the consolidated statement of financial position is established. The table does not include the fair values of non-financial assets and liabilities:

	Carrying book value		Fair value	
	2016	2015	2016	2015
	US$(000)	US$(000)	US$(000)	US$(000)
Financial assets				
Financial assets at fair value through profit or loss	6,072	6,412	6,072	6,412
Available-for sale financial investments	165,700	192,498	165,700	192,498
Total financial assets	171,772	198,910	171,772	198,910
Financial liabilities				
Financial obligations	440,106	439,379	316,500	276,600
Trade and other payable	181,248	123,068	190,482	151,092
Derivative financial instruments	3,855	-	3,855	-
Total financial liabilities	625,209	562,447	510,837	427,692

(c) Fair value measurement

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group´s assets and liabilities as of December 31, 2016:

		Measurement at fair value using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2016				
Assets measured at fair value:				
Financial assets at fair value through profit or loss	6,072	6,072	-	-
Available-for-sale financial investments:				
Public quotation mutual funds	128,810	128,810	-	-
Certificates of deposit without public quotation	36,890	-	36,890	-
Liabilities measured at fair value:				
Derivative financial liabilities:				
Derivative financial instruments	(3,855)	(3,855)	-	-
Embedded derivative for sales of tin	(165)	(165)	-	-

For the year ended December 31, 2016 there have been no transfers between levels of fair value.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2015 –

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2015				
Assets measured at fair value:				
Financial assets at fair value through profit or loss	6,412	6,412	-	-
Available-for-sale financial investments:				
Public quotation mutual funds	125,998	125,998	-	-
Certificates of deposit without public quotation	66,500	-	-	66,500
Liabilities measured at fair value:				
Derivative financial liabilities:				
Embedded derivative for sales of tin	(298)	(298)	-	-

For the year ended December 31, 2015 there have been no transfers between levels of fair value.

35. Derivative financial Instruments

(a) The volatility of tin during the last years has caused that the Management of the Group decides to subscribe contracts of collars of options at zero cost. These contracts aim to reduce the volatility of cash flows attributable to the fluctuation of the price of tin and gold

(b) Embedded derivative for sale of tin -
The sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral (forward).

Embedded derivatives as of December 31, 2016 and 2015:

			Valuations		
Metal	**Quantity**	**Quotations period**	**Provisional** US$(000)	**Futures** US$(000)	**Fair value** US$(000)
2016					
Sale of mineral					
Tin (Peru)	1,080 TM	Jan/Feb 2017	23,371	23,324	(47)
Tin (Brazil)	175 TM	Dec 2016	2,817	2,699	(118)
Total net liability					(165)
2015					
Sale of mineral					
Tin (Peru)	2,138	Jan/Mar 2016	32,509	32,246	(263)
Tin (Brazil)	175	Jan 2016	2,657	2,622	(35)
Total net liability					(298)

36. Explanation added for translation to English language

The accompanying consolidated financial statements were originally issued in Spanish and are presented on the basis of International Financial Reporting Standards “IFRS” as described in Note 2. These consolidated financial statements should be read in conjunction with the Spanish consolidated financial statements, in the event of a discrepancy the Spanish language version prevails.

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