Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

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

Building a better working world

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

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

Content

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Independent Auditors' Report

To the Shareholders of Minsur S.A.

We have audited the accompanying separate financial statements of Minsur S.A. (a Peruvian entity, subsidiary of Inversiones Breca S.A.), which comprise the separate statements of financial position as of December 31, 2016 and 2015, and the related separate statements of profit or loss, other comprehensive income, changes in equity and 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 34).

Management's responsibility for the separate financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 separate financial statements.

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Report of the Independent Auditors (continued)

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

Opinion

In our opinion, the separate financial statements referred to above, present fairly, in all material respects, the financial position of Minsur S.A. 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).

Emphasis paragraph over the separate financial information

The separate financial statements of Minsur S.A. were prepared to comply with the financial reporting requirements in effect in Peru. These financial statements reflect the investment in its subsidiaries and associates under the equity method and not on a consolidated basis. These separate financial statements must be read together with the consolidated financial statements of the Company and Subsidiaries that are presented separately and which on we expressed an unqualified opinion on March 1, 2017.

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 34 to the separate financial statements.

Minsur S.A.

Separate statements of financial position

As of December 31, 2016 and 2015

	Note	2016	2015
		US$(000)	US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	341,139	382,926
Trade and other receivables, net	7	74,177	58,645
Derivative financial instruments	31	394	-
Inventory, net	8	60,094	61,432
Available-for-sale financial investments	10	36,890	-
Financial assets at fair value through profit or loss	9	6,072	6,412
Prepayments		1,062	181
Income tax prepayments		-	3,330
		519,828	512,926
Non-current assets			
Available-for-sale financial investments	10	128,810	192,498
Investments in subsidiaries and associates	11	824,172	609,722
Property, plant and equipment, net	12	276,687	289,131
Intangible assets, net	13	27,128	24,153
Deferred income tax asset, net	17	19,270	5,092
Other assets		1	2
		1,276,068	1,120,598
Total assets		1,795,896	1,633,524
Liabilities and equity			
Current liabilities			
Current interest-bearing loans and borrowings	14	-	234
Trade and other payables	15	92,167	80,455
Derivative financial instruments	31	1,632	-
Income tax payable		9,319	-
Current provisions	16	8,472	10,968
Embedded derivatives for sale of tin	33	47	263
		111,637	91,920
Non-current liabilities			
Non-current interest-bearing loans and borrowings	14	440,106	439,145
Non-current provisions	16	48,406	50,411
		488,512	489,556
Total liabilities		600,149	581,476
Equity	18		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Facultative reserves		424	424
Reinvested earnings		39,985	39,985
Cumulative translation reserve		(195,517)	(245,427)
Unrealized results		5,640	(9,928)
Other reserves		(9,850)	-
Retained earnings		332,901	244,830
Total equity		1,195,747	1,052,048
Total liabilities and equity		1,795,896	1,633,524

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

Separate statements of profit or loss

For the years ended December 31, 2016 and 2015

	Note	2016 US$(000)	2015 US$(000)
Net sales	20	489,650	487,329
Cost of sales	21	(234,005)	(278,679)
Gross profit		255,645	208,650
Operating income (expenses)			
Administrative expenses	22	(27,773)	(28,868)
Selling expenses	23	(2,679)	(6,299)
Exploration and evaluation expenses	24	(15,120)	(26,273)
Other expenses, net	25	(6,538)	(4,875)
Total operating expenses		(52,110)	(66,315)
Operating income		203,535	142,335
Other income (expenses)			
Finance income	26	3,685	4,498
Finance costs	26	(30,910)	(30,604)
Loss from subsidiaries and associates	11(b)	(29,721)	(484,325)
Loss from financial assets at fair value through profit or loss	9(b)	(358)	(1,743)
Dividends income in cash	9(c)	177	79
Exchange difference, net		212	(2,409)
Total other income (expenses)		(56,915)	(514,504)
Profit (loss) before income tax		146,620	(372,169)
Income tax	17(d)	(58,771)	(49,661)
Profit (loss) for the year		87,849	(421,830)

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

Separate statements of comprehensive income

For the years ended December 31, 2016 and 2015

	Note	2016	2015
		US$(000)	US$(000)
Profit (loss) for the year		87,849	(421,830)
Other comprehensive income:			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation	18(f)	49,910	(135,938)
Unrealized results of investments	10(b) and 11	16,307	(16,505)
Income tax		(739)	(397)
Other		222	(190)
Other comprehensive income (loss) for the year		65,700	(153,030)
Total comprehensive income (loss) for the year, net of income tax		153,549	(574,860)

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

Separate 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$(000)	Facultative reserves US$(000)	Reinvested earnings US$(000)	Cumulative translation reserve US$(000)	Unrealized results US$(000)	Other reserves US$(000)	Retined earnings US$(000)	Total US$(000)
Balance as of January 1, 2015	601,269	300,634	120,261	424	39,985	(109,489)	7,885	-	717,207	1,678,176
Loss for the year	-	-	-	-	-	-	-	-	(421,830)	(421,830)
Other comprehensive loss for the year	-	-	-	-	-	(135,938)	(16,902)	-	(190)	(153,030)
Total comprehensive loss for the year	-	-	-	-	-	(135,938)	(16,902)	-	(422,020)	(574,860)
Dividends declared, note 18(e)	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Other adjustments	-	-	-	-	-	-	(911)	-	(357)	(1,268)
Balance as of December 31, 2015	601,269	300,634	120,261	424	39,985	(245,427)	(9,928)	-	244,830	1,052,048
Profit for the year						-	-	-	87,849	87,849
Other comprehensive income for the year	-	-	-	-	-	49,910	15,568	-	222	65,700
Total comprehensive income for the year	-	-	-	-	-	49,910	15,568	-	88,071	153,549
Transactions with former shareholder of a subsidiary (Marcobre), note 11(c)	-	-	-	-	-	-	-	(9,850)	-	(9,850)
Balance as of December 31, 2016	601,269	300,634	120,261	424	39,985	(195,517)	5,640	(9,850)	332,901	1,195,747

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish - See Note 34 to the separate financial statements.

Minsur S.A.

Separate statements of cash flows

For the years ended December 31, 2016 and 2015

	Note	2016	2015
		US$(000)	US$(000)
Operating activities			
Collections from customers		485,367	484,209
Interest received		2,651	2,830
Payments to suppliers		(166,251)	(203,851)
Payroll and social benefit payments		(61,660)	(80,438)
Payments of income and other taxes		(58,825)	(60,666)
Interests paid		(29,097)	(29,273)
Payments of derivative financial instruments		(2,559)	-
Other payments relating to operations, net		(1,918)	(4,727)
Net cash flows provided by operating activities		167,708	108,084
Investing activities			
Capital contribution to subsidiaries	11(c)	(192,520)	(119,582)
Opening of time deposits with original maturities greather than 90 days	6	(80,986)	-
Payments for purchase of property, plant and equipment	12	(36,434)	(27,803)
Loans to related entities	27(b)	(8,000)	-
Payments for intangible assets	13	(6,594)	(1,102)
Collections from settlement of available-for-sale financial investments	10	31,256	-
Dividends received	9(c) and 11(d)	2,062	2,621
Proceeds from sale of property, plant and equipment	25	739	50
Collection of loans from related parties	27(b)	-	81,938
Net cash flows used in investing activities		(290,477)	(63,878)
Financing activities			
Dividends paid	18(e)	-	(50,000)
Net cash flows used in financing activities		-	(50,000)
Net decrease in cash and cash equivalents		(122,769)	(5,794)
Net exchange difference		(4)	8
Cash and cash equivalent at beginning of year		382,926	388,712
Cash and cash equivalent at end of year	6	260,153	382,926
Transactions with no effects in cash flows:			
Increase (decrease) of the provision for mine closure		(6,601)	3,309

The accompanying notes are an integral part of these separate statements.

Minsur S.A.

Notes to the separate financial statements

As of December 31, 2016 and 2015

1. **Background and economic activity of the Company**

(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) Approval of separate financial statements -

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

The separate financial statements as of December 31, 2015 and for the year then ended were approved for issue at the Shareholders' meeting held on March 30, 2016.

2. Basis of preparation and accounting policies

2.1. Basis of preparation -

The separate financial statements of the Company 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.

In accordance with International Financial Reporting Standards (IFRS) in force as of December 31, 2016, there is no requirement to prepare separate financial statements; however in Peru the companies are required to prepare them in accordance with current legal requirements. Because of this, the Company has prepared separate financial statements using IAS 27 Separate Financial Statements. These financial statements are published within the period established by the Peruvian Securities Regulator.

The separate 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 separate 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 separate financial statements requires management to make judgments, estimates and assumptions, as detailed in Note 3.

These separate financial statements provide comparative information to the previous period. For a correct interpretation of the separate financial statements in accordance with IFRS, these should be read in conjunction with the consolidated financial statements.

2.2. Changes in accounting policies and disclosures–

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

2.3. Summary of significant accounting policies–

The following significant accounting policies are used by the Company to prepare its separate financial statements:

(a) Cash and cash equivalents -

Cash and cash equivalents in the separated 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 trade 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 Company'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 purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at fair value through profit or loss.
- Loans and trade 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 separate 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 separate 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 separate statement of profit or loss.

The Company 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 separate 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 Company has the positive intention and ability to hold them to maturity.

The Company does not have these financial assets as of 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 that are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements 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 separate statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using EIR method.

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

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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

(ii) Impairment of financial assets–
The Company assesses, at each reporting date, whether there is any 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 Company 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 Company 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 effective interest rate.

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 separate statement of profit or loss. Interest income (recorded as finance income in the separate 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 Company. 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 separate statement of profit or loss.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Company 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 separate statement of profit or loss is removed from OCI and recognized in the separate 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, 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 separate statement of profit or loss.

Then, interest income is 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 is 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 separate statement of profit or loss, the impairment loss is reversed through the separate 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 the trade payables, interest-bearing loans and borrowings, net of directly attributable transaction costs.

The Company'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 fair value through profit or loss.

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

Except for the embedded derivative for sale of tin, the Company 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 separate statement of profit or loss.

This category includes trade and other payables and interest-bearing loans and borrowings. For more information refer to notes 14 and 15.

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 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 separate 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 separate 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, or to realize the assets and settle the liabilities simultaneously.

(v) Fair value

The Company measures financial instruments as embedded derivatives, derivative financial instruments and available-for-sale investments at fair value at each separate statement of financial position date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in note 32.

The Company 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 separate 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 Company 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 transactions -

The Company's separate financial statements are presented in U.S. Dollars, which is also the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies (different currency than U.S. Dollar) are initially recorded by the Company at their respective functional currency spot rates listed by the Superintendencia de Banca y Seguros y AFP.

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

(d) Inventories -

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

Raw materials and supplies

- Purchase cost using the weighted average method.

Finished products, work in progress and mineral extracted -

- 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 subsidiaries and associates -

The subsidiaries are entities over which the Company has control; the control is achieved when the Company is exposed, or has rights to variable returns from its involvement in the entity receiving the investment and has the ability to affect those returns through its power in the entity receiving the investment.

An associate is an entity over which the Company 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 subsidiaries and associates are initially recognized at cost and are subsequently measured through changes in the participation of the Company in the results of subsidiaries and associates.

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

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

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

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

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

In the event of loss of significant influence on the subsidiaries and associates, the Company measures and recognizes any accumulated investment at its fair value. Any difference between the book value of the subsidiaries and 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 separate 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 of 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 qualified 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 Company 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 separate 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 estimated 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
Machinery and equipment	Between 1 and 6
Vehicles	Between 3 and 10
Furniture and fixtures and computer equipments	Between 2 and 10
Communication and security equipments	Between 2 and 10

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 separate statement of profit or loss when the asset is derecognized.

(g) Leases -

The determination of whether an arrangement 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 Company is classified as a finance lease.

Finance leases -
Finance leases that transfer to the Company substantially all the risks and benefits inherent to the ownership of the leased item, are capitalized at the commencement date 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 separate 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 Company 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 separate 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 Company has over the mining properties that contain the acquired mineral reserves and resources. Those mining concessions are showed at cost and amortized starting from the production phase following the units-of-production method based on proved and estimated reserves to which they relate. In case the Company abandons the concessions, the associated costs are charged directly to the separate statement of profit or loss.

At end of year, the Company 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 Company estimates the asset's recoverable amount.

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

(i) Exploration and evaluation costs -
Exploration and evaluation costs include the activities of search of mineral resource, the determination of technical viability 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 "Development costs". These costs are amortized using the units of production method, using 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 Company 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 Company works closely with the mining operations personnel for each mining operation to analyze each of the mine plans.

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

(l) Usufruct of lands -

It corresponds to payments for the right to use certain lands near to the mining units of the Company, 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 Company 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 Company 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 on inventories, are recognized in the separate statement of profit or loss in 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 Company 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 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 reversal is recognized in the separate statement of profit or loss with exception of impairment loss related to the goodwill.

(n) Provisions -

General -

Provisions are recognized when the Company 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 separate statements 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 Company 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 separate 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 Company 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 in a closing process; therefore, not available for mining activities, changes in estimated costs are recognized immediately in the separate statements of profit or loss.

Environmental expenditures and liabilities -

Environmental expenditures related with current or future revenues are recorded as expense or are capitalized, as appropriate. Expenditures related with 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, with 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 recognized to the extent it is probable that the economic benefits will flow to the Company 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 Company 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 Company 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 separate statement 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 separate statements of profit or loss.

Dividends –
Revenue is recognized when the Company’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, or whose approval will find nearing completion, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the separate 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 subsidiaries and 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 deferred tax assets that can be recognized based on the probable date of recovery and level of future taxable income and future tax 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 recognized 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 Tax on Mining 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 separate statement 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 Company 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 separate statements of financial position.

(r) Derivative financial instruments and hedge accounting –
Initial recognition and subsequent measurement -
The Company 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 Company 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 cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in 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 Company's hedge is classified as cash flow hedge. The effective portion of gain or loss on the hedging instrument is initially recognized in the separated statements of changes in equity, under the caption other equity reserves, while the ineffective portion is recognized immediately in the separated statements of profit or loss in the finance costs caption.

3. Significant accounting judgements, estimates and assumptions –

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that significantly affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures; as the disclosure of contingent liabilities as of the date of the separate 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 separated financial statements and in the Company'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 separate financial statements.

3.1. Judgments -

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

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 judgements made by management and the use of estimates about the outcome of future events.

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 separate financial statements and which carry a high risk of significant adjustments to the carrying amounts of assets and liabilities during the next period. The Company has based its estimates and assumptions on the basis of the parameters available at the moment of the preparation of these separate financial statements. However, the circumstances and assumptions about future events may change due to changes in the current market and new circumstances that may arise beyond the control of the Company. The changes are reflected in the assumptions at the time of occurrence.

(a) Determination of mineral reserves and resources -
The Company calculate its ore reserves and resources using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

The process of estimating the amount of reserves and mineral resources is complex and requires the making of subjective decisions at the time of evaluating all the geologic, geophysical, engineering and economic information that is available. Revisions could occur in estimated reserves 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 charges 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 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 using a discounted cash flow model. 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 and terms in which cost are expected to be incurred. 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 Company 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.

(f) Taxes -
Deferred tax assets are recognized for unused tax losses and deducting temporary differences 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 Company's financial statements are disclosed below. The Company 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 Company'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 Company is currently assessing the impact of IFRS 15 on its 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 Company is currently assessing the impact of IFRS 16 on its separate 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 Company.

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 Company.

5. Transactions in foreign currency

Transactions in foreign currency (mainly in Soles, before denominated "Nuevos Soles") take place at the open-market exchange rates published by the Superintendencia de Banca, Seguros y AFP. As of December 31, 2016, the weighted average open-market exchange rates for transactions in Soles were US$0.2983 for purchase and US$0.2976 for sale (US$0.2934 for purchase and US$0.2930 for sale as of December 31, 2015).

As of December 31, 2016 and 2015, the Company had the following assets and liabilities in Soles:

	2016		2015	
	S/(000)	Equivalent in US$(000)	S/(000)	Equivalent in US$(000)
Assets				
Cash and cash equivalents	774	231	128	38
Trade and other accounts receivable, net	15,860	4,732	23,244	6,820
Income tax prepayments	-	-	11,349	3,330
	16,634	4,963	34,721	10,188
Liabilities				
Trade and other payables	(131,949)	(39,271)	(125,066)	(36,644)
Income tax liabilities	(31,312)	(9,319)	-	-
	(163,261)	(48,590)	(125,066)	(36,644)
Net liabilities position	(146,627)	(43,627)	(90,345)	(26,456)

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

6. Cash and cash equivalents

(a) This caption was made up as follows:

	2016	2015
	US$(000)	US$(000)
Cash on hand	9	8
Cash demand deposits (b)	15,003	42,377
Time deposits (c)	181,322	160,745
Overnight deposits (d)	63,819	179,796
Balance considered in the separate statements of cash flow	260,153	382,926
Time deposits with original maturities greather than 90 days	80,986	-
	341,139	382,926

(b) As of December 31, 2016 and 2015, the Company maintains its cash demand deposits in local and foreign banks of first level that are freely available and generates interest at market interest rate.

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

(d) Overnight deposits are one day deposits in a foreign bank, which yield interest at market rates.

7. Trade and other receivables, net

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

	2016	2015
	US$(000)	US$(000)
Trade (current):		
Invoices receivable (b)	55,555	47,691
Allowance for doubtful accounts (d)	(1,210)	(2,587)
	54,345	45,104
Others receivable (current):		
Related parties, note 27 (a)	8,559	627
Value added tax credit	3,542	6,484
Advances to suppliers	1,167	2,653
Tax credit for works performed	747	-
Restricted funds	78	75
Others	5,739	3,702
	19,832	13,541
Total	74,177	58,645
By nature:		
Financial Asset	70,635	52,161
Non-Financial Asset	3,542	6,484
Total	74,177	58,645

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

(c) The aging analysis of trade and other accounts receivable as of December 31, 2016 and 2015, 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	54,345	47,696	-	6,649	-	-	-
2015	45,104	39,846	-	5,257	1	-	-

(d) The movement of the allowance for doubtful accounts as of December 31, 2016 and 2015 is as follows:

	2016 US$(000)	2015 US$(000)
Opening balance	2,587	2,587
Reversal of allowance for the year, note 23	(1,377)	-
Ending balance	1,210	2,587

8. Inventories, net

(a) This caption was made up as follows:

	2016 US$(000)	2015 US$(000)
Finished product	16,625	16,318
Work in progress	22,691	22,495
Materials and supplies	23,088	24,111
Mineral extracted	449	785
Inventory in transit	25	25
	62,878	63,734
Allowance for obsolescence (b)	(2,784)	(2,302)
	60,094	61,432

(b) 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	2,302	2,166
Allowance for the year, note 21	482	136
Ending balance	2,784	2,302

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

9. Financial assets at fair value through profit or loss

(a) As of December 31, 2016 and 2015, the Company holds an investment in equity shares of BBVA of Spain by 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 Spain. Following, we present the movement of this item:

	2016	2015
	US$(000)	US$(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 Company received 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:

	Cost	Unrealized results	Accrued interests	Settlement of investment	Fair Value
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2016					
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
As of December 31, 2015					
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	2015
	US$(000)	US$(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, note 26	1,423	1,450
Ending balance	165,700	192,498

11. Investments in subsidiaries and associates

(a) This caption is made up as follows:

	Interest in equity		Investments amount	
	2016	2015	2016	2015
	%	%	US$(000)	US$(000)
Subsidiaries				
Minera Latinoamericana S.A.C. (c)	99.99	99.99	490,558	395,277
Cumbres Andinas S.A. (c)	99.98	99.97	252,141	149,360
Minsur U.S.A. Inc.	99.99	99.99	292	292
			742,991	544,929
Associates				
Rímac Seguros y Reaseguros (d)	14.51	14.51	61,015	48,214
Explosivos S.A. (d)	10.95	7.3	12,182	7,886
Futura Consorcio Inmobiliario S.A.(d)	4.96	4.96	5,113	5,318
Servicios Aeronáuticos Unidos S.A.C. (d)	47.5	47.5	2,871	3,375
			81,181	64,793
			824,172	609,722

The Company 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 Company in the result of the investments in subsidiaries and associates as of December 31, 2016 and 2015, as follows:

	2016	2015
	US$(000)	US$(000)
Minera Latinoamericana S.A.C. (c)	(21,240)	(79,771)
Cumbres Andinas S.A. (c)	(15,166)	(417,300)
Servicios Aeronáuticos Unidos S.A.C. (d)	(504)	(703)
Futura Consorcio Inmobiliario S.A. (d)	(266)	916
Explosivos S.A. (d)	4,294	(507)
Rímac Seguros y Reaseguros (d)	3,161	12,948
Minsur U.S.A. Inc.	-	92
Ending balance	(29,721)	(484,325)

(c) Following is summary information about the subsidiaries:

Minera Latinoamericana S.A.C. - *Minlat*

The business purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity in Peru and abroad actually, this subsidiary has operations in Chile and Brazil.

On January 29, 2015, the subsidiary Minlat S.A.C. signed with related party Inversiones Breca S.A., (hereinafter "Breca") a shareholders' agreement by which it was agreed that 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 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 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.

Following is the summary of the economic activity of the subsidiaries:

(i) Mineração Taboca S.A.

Taboca is a mining company mainly engaged in the exploitation of the Pitinga mine, located in the Amazonas state, in the Republic of Brazil. From this mine, Taboca mainly obtains tin concentrated. Taboca also operates the Pirapora smelter, located in Sao Paulo.

(ii) Minera Andes del Sur S.P.A.

Is a holding focused on executing mineral exploration projects in Chile.

The table below shows the movement of the investment in Minlat:

	2016	2015
	US$(000)	US$(000)
Opening balance	395,277	505,243
Plus (minus):		
Capital contributions	65,000	95,002
Translation	49,072	(128,676)
Unrealized gains	2,449	(37)
Participation in net loss	(21,240)	(79,771)
Other results	-	3,516
Ending balance	490,558	395,277

Cumbres Andinas S.A.

The purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity directly or indirectly comprised in mining activities. Currently, the activities of this subsidiary are limited to the holding of shares in mining entities in the exploration phase (Minera Sillustani S.A. and Compañia Minera Barbastro S.A.C.) and Marcobre S.A.C., in definition stage (hereinafter "Sillustani", "Barbastro" and "Marcobre", respectively).

As of December 31, 2016, the Company though its subsidiary Cumbres Andinas S.A. maintains a investment of 100% on Marcobre and the 99.99% in the subsidiaries Barbastro and Sillustani.

On September 23, 2016, through its subsidiary Cumbres Andinas SA, the Company acquired the non-controlling interest of 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, starting in 2017, being US$15,760,000 the present value of this liability.

As a result of the impairment assessments conducted by Management as of December 31, 2015 on "Mina Justa" project, the Company recognized an impairment loss of US$374,698,000, net of its deferred tax impact in 2015, which is presented on the caption "loss from subsidiaries and associates" of the separate statements of profit or loss.

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

	2016 US$(000)	2015 US$(000)
Opening balance	149,360	547,522
Plus (minus):		
Participation in net loss	(15,166)	(417,300)
Other reserve	(9,850)	-
Translation	(128)	(713)
Capital contributions	127,520	24,580
Other results	405	(4,729)
Ending balance	252,141	149,360

(d) The main information of associates is as follows:

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 US$(000)	2015 US$(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 US$(000)	2015 US$(000)
Opening balance	3,375	4,078
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 1.1.2016 US$(000)	Additions US$(000)	Deductions and adjustments US$(000)	Transfers US$(000)	Ending balance 12.31.2016 US$(000)
Cost					
Lands	14,042	601	-	-	14,643
Buildings and installations	341,552	-	(9,577)	17,652	349,627
Machinery and equipment	235,571	-	(2,937)	23,587	256,221
Furniture and fixtures and computer equipments	5,022	-	(15)	960	5,967
Communication and safety equipments	1,481	-	(15)	284	1,750
Vehicles	5,179	-	(1,775)	226	3,630
Work in progress (c)	21,498	35,833	-	(39,049)	18,282
Finance leases	3,660	-	-	(3,660)	-
Mine closure costs	59,546	-	(6,601)	-	52,945
	687,551	36,434	(20,920)	-	703,065
Accumulated depreciation					
Buildings and installations	183,894	23,709	(8,949)	-	198,654
Machinery and equipment	173,166	11,890	(1,384)	1,632	185,304
Furniture and fixtures and computer equipments	3,636	442	(14)	-	4,064
Communication and safety equipment	763	201	(12)	-	952
Vehicles	3,482	366	(1,352)	29	2,525
Finance leases	1,362	299	-	(1,661)	-
Mine closure costs	32,117	2,762	-	-	34,879
	398,420	39,669	(11,711)	-	426,378
Net cost	289,131				276,687

	Opening balance 1.1.2015 US$(000)	Additions US$(000)	Deductions and adjustments US$(000)	Transfers US$(000)	Ending balance 12.31.2015 US$(000)
Cost					
Lands	12,050	1,962	30	-	14,042
Buildings and installations	333,857	7	-	7,688	341,552
Machinery and equipment	231,442	-	(3,823)	7,952	235,571
Furniture and fixtures and computer equipments	5,295	-	(16)	(257)	5,022
Communication and safety equipments	1,438	-	(2)	45	1,481
Vehicles	4,935	-	(328)	572	5,179
Units in transit	808	-	(808)	-	-
Work in progress	10,730	25,834	-	(15,066)	21,498
Finance leases	4,594	-	-	(934)	3,660
Mine closure costs	56,237	3,309	-	-	59,546
	661,386	31,112	(4,947)	-	687,551
Accumulated depreciation					
Buildings and installations	144,774	39,120	-	-	183,894
Machinery and equipment	162,805	12,397	(2,251)	215	173,166
Furniture and fixtures and computer equipments	3,687	335	(15)	(371)	3,636
Communication and safety equipment	214	179	(1)	371	763
Vehicles	3,122	502	(321)	179	3,482
Finance leases	1,139	617	-	(394)	1,362
Mine closure costs	25,621	6,496	-	-	32,117
	341,362	59,646	(2,588)	-	398,420
Net cost	320,024				289,131

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

	2016 US$(000)	2015 US$(000)
Cost of sales, note 21	38,812	58,869
Administrative expenses, note 22	448	317
Exploration and evaluation expenses, note 24	245	204
Selling expenses, note 23	7	7
Other expenses, note 25	157	249
	39,669	59,646

(c) Work in progress as of December 31, 2016 amounted to US$18,282,000 (US$21,498,000 as of December 31, 2015) and this is mainly related to the ore sorting and new barren line.

(d) *Impairment assessment of mining units*
According to the policies and procedures of the Company, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period, to determine if there are an indicators of impairment. If there are such indicators of impairment, a formal estimate of recoverable amount is performed.

As of December 31, 2016, the Company concluded that there are no indicators of impairment in San Rafael (Tin) and Pucamarca units (mine of gold) and, therefore, did not make a formal estimation of the recoverable amount.

13. Intangible assets, net

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

	Opening balance US$(000)	Additions US$(000)	Disposals US$(000)	Ending balance US$(000)
Year 2016				
Cost				
Mine development costs	30,257	6,424	-	36,681
Mining concessions	4,076	155	-	4,231
Easement	3,258	-	-	3,258
Usufruct of lands	1,692	15	-	1,707
Gas connection rights	545	-	-	545
Licenses	117	-	-	117
	39,945	6,594	-	46,539
Accumulated amortization				
Mine development costs	11,988	2,746	-	14,734
Mining concessions	1,713	318	-	2,031
Easement	1,146	317	-	1,463
Usufruct of lands	860	176	-	1,036
Gas connection rights	64	54	-	118
Licenses	21	8	-	29
	15,792	3,619	-	19,411
Net cost	24,153			27,128

	Opening balance US$(000)	Additions US$(000)	Disposals US$(000)	Ending balance US$(000)
Year 2015				
Cost				
Mine development costs	30,257	-	-	30,257
Mining concessions	3,826	250	-	4,076
Easement	2,689	569	-	3,258
Usufruct of lands	1,521	202	(31)	1,692
Gas connection rights	545	-	-	545
Licenses	36	81	-	117
	38,874	1,102	(31)	39,945
Accumulated amortization				
Mine development costs	8,141	3,847	-	11,988
Mining concessions	1,268	445	-	1,713
Easement	701	445	-	1,146
Usufruct of lands	668	193	(1)	860
Gas connection rights	9	55	-	64
Licenses	13	8	-	21
	10,800	4,993	(1)	15,792
Net cost	28,074			24,153

(b) The amortization expense is shown in cost of sales and exploration and evaluation expenses captions, see notes 21 and 24.

(c) The development costs as of December 31, 2016, include mainly the development of large cavity fill and the feasibility study of project B2.

14. Interest-bearing loans and borrowings

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

Entity	Guarantee	Interest rate	2016	2015
			US$(000)	US$(000)
Corporate bonds, net of issuance costs (b)	No guarantee	6.25%	440,106	439,145
BBVA Continental	Leased assets	2.68%	-	172
Banco de Crédito del Perú	Leased assets	4.54%	-	62
			440,106	439,379
By maturity:				
Current portion			-	234
Non-current portion			440,106	439,145
			440,106	439,379

(b) The General Shareholders' Meeting held on January 30, 2014, agreed that the Company makes an international bond issue ("Senior Notes") through a private placement, issued 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 nominal 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.

15. Trade and other payables

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

	2016	2015
	US$(000)	US$(000)
Trade payable (b):		
Third parties	38,959	29,494
Related parties, note 27(a)	9,340	13,898
	48,299	43,392
Other accounts payable (b):		
Workers' profit sharing (c)	17,303	14,347
Interest payable	11,158	11,160
Tax and contributions payable	10,143	6,205
Remuneration payable	2,444	2,123
Related parties, note 27(a)	437	1,034
Others	2,383	2,194
	43,868	37,063
Total	92,167	80,455

(b) Trade accounts payable result from the purchases of material, supplies and spare parts and services mainly correspond to invoices payable to domestic 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 workers' 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.

16. **Provisions**

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

	Provision for mine closure (b) US$(000)	Provision for bonuses to employees (c) US$(000)	Provision for contingencies (d) US$(000)	Total US$(000)
As of January 1, 2015	52,513	4,973	1,911	59,397
Additions	-	4,069	-	4,069
Accretion, note 26	1,237	-	-	1,237
Change in estimates, note 12	3,309	-	-	3,309
Payments and advances	(854)	(4,973)	(43)	(5,870)
Reversals, note 25	-	-	(763)	(763)
As of December 31, 2015	56,205	4,069	1,105	61,379
Additions	-	5,025	167	5,192
Accretion, note 26	1,813	-	-	1,813
Change in estimates, note 12	(6,601)	-	-	(6,601)
Payments and advances	(64)	(4,629)	(58)	(4,751)
Reversals, note 25	-	-	(154)	(154)
As of December 31, 2016	51,353	4,465	1,060	56,878
Current portion	5,794	4,069	1,105	10,968
Non-current portion	50,411	-	-	50,411
As of December 31, 2015	56,205	4,069	1,105	61,379
Current portion	2,947	4,465	1,060	8,472
Non-current portion	48,406	-	-	48,406
As of December 31, 2016	51,353	4,465	1,060	56,878

(b) Provision for mine closure

The provision for closure of mining units reflects the present value of the closing costs expected to be incurred between 2017 and 2042, in compliance with government regulations, see note 28(b). The estimation of 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 work 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 nominal value of the provision for mine closure is US$68,478,000 (US$73,639,000 as of December 31, 2015), which has been discounted using risk free annual interest rates for the provision of each mining unit according to the useful of the mines, which are between 1.36% and 4.02%, resulting in an updated liability of US$51,353,000 (US$56,205,000 as of December 31, 2015). The Company believes that this liability is sufficient to comply with the laws of environmental protection approved by the Ministry of Energy and Mines.

(c) Provision bonuses to employees -

As of December 31, 2016 this item corresponds to a performance bonus to workers which are paid in the first quarter of 2017.

(d) Provision for contingencies -

This provision includes the estimation for provision for obligations by environmental contingencies of US$772,000 (US$608,000 as of December 31, 2015) and for laboral contingencies of US$288,000 (US$497,000 as of December 31, 2015).

17. Deferred income tax assets and liabilities, net

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

	2016 US$(000)	2015 US$(000)
Income tax:		
Deferred income tax assets		
Provision for mine closure	15,149	14,810
Differences in accounting and tax basis of fixed assets	13,885	8,140
Tax benefit for tax overpayments from previous years	4,855	5,265
Investments at fair value through profit and loss	2,696	2,299
Mining royalty and special mining tax	1,730	721
Other provisions	1,318	696
Vacations payables	648	499
Embedded derivatives for sale of tin	-	74
	40,281	32,504
Deferred income tax liabilities		
Exchange difference of non-monetary items	(10,516)	(13,943)
Asset retirement costs	(5,329)	(7,391)
Development costs	(5,223)	(4,723)
Available for sale investments	(1,681)	(674)
Differences in accounting and tax bases of inventories	(393)	(612)
Embedded derivatives	(14)	-
	(23,156)	(27,343)
Deferred income tax asset, net	17,125	5,161
Mining royalty (MR) and Special mining tax (SMT):		
Deferred assets		
Difference in accounting and tax basis of fixed assets	3,351	1,874
Exploration expenses	1,355	1,135
	4,706	3,009
Deferred liabilities		
Exchange difference for non-monetary items	(2,538)	(2,947)
Differences in accounting and tax basis of inventories	(23)	(131)
	(2,561)	(3,078)
Deferred tax asset (liability) of MR and SMT, net	2,145	(69)
Total deferred income tax asset, net	19,270	5,092

(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	146,620	(372,169)
At statutory income tax rate	(41,054)	104,207
Participation in results of subsidiaries and associates	(8,322)	(135,611)
Effect of permanent differences, net	(2,541)	(87)
Update of fixed asset an intangible tax basis	(1,494)	3,159
Tax credit	(410)	5,265
Others adjustments	(16)	-
Effect of translation (c)	5,159	(19,364)
Effect of mining royalty	5,145	3,234
Effect of the change in income tax rate	924	-
Income tax expense	(42,609)	(39,197)
Mining royalties and special mining tax	(16,162)	(10,464)
Total	(58,771)	(49,661)

(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 Company's cash flow.

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

	2016 US$(000)	2015 US$(000)
Income tax		
Current	(55,312)	(45,872)
Deferred	12,703	6,675
	(42,609)	(39,197)
Mining royalties and special mining tax		
Current	(18,376)	(11,549)
Deferred	2,214	1,085
	(16,162)	(10,464)
Total of income tax	(58,771)	(49,661)

Deferred income tax on investments in associates –
The Company does not record the deferred income tax asset related to investments in its associates 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 intention and capability 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 management to be forced to sell its investment in associates.

18. 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, comprises 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 comprises 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 in whichever of the cases foresaw by law 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 Bolsa de Valores de Lima (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 percent 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 remaining the obligation to replenish it.

For the years 2016 and 2015, the Company has not increased its legal reserve because the legal reserve 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:

	Date	Dividends declared and paid	Dividends per common share	Dividends per investment share
		US$(000)	US$(000)	US$(000)
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 Company.

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 separated statement of comprehensive income.

19. Tax situation

(a) The Company is subject to the Peruvian tax system.
Until as of December 31, 2016, through Law N°30296 enacted as 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 the years 2015 and 2016; to 27% in the years 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 the years 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, from 1 January 2015.

- Accumulated results or other items capable of generating dividends which were obtained up to 31 December 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 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 income tax is established on 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% on results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017.

(b) 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 ("IGV" for its acronym in spanish) 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 years 2000 to 2010, and the value added tax and value added tax for the years 2000 to December 2008, see note 29(a).

Due to the interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether or not of the tax audits that will perform will result in increased liabilities for the Company. Therefore, any greater tax or surcharge that could result from eventual tax reviews would be applied to the results of the fiscal year in which it is determined. However, in opinion of the Company's management and its legal counsels, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2016 and 2015.

(c) For purposes of determining the Income Tax, the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Tributary administration is able to ask for the Company's information. Based on an analysis of the Company's operations, management and its legal advisors believe that the application of this rule would not result in material contingencies for the Company as of December 31, 2016 and 2015.

20. Net sales

The composition of this caption is presented below:

	2016	2015
	US$(000)	US$(000)
Tin	360,348	346,994
Gold	132,883	140,040
	493,231	487,034
Embedded derivative for sale of tin	216	295
Loss on derivative financial instruments, note 31.1	(3,797)	-
	489,650	487,329

Sales concentration of tin -

In 2016, there was no significant sales concentration. The three most important clients for sale of tin represented 30% (24% in 2015).

Sales concentration of gold -

In 2016 and 2015 the company sells gold to four customers.

21. Cost of sales

The composition of this caption is made up as follows:

	2016	2015
	US$(000)	US$(000)
Opening balance of finished product inventory	16,318	20,444
Opening balance of product in process inventory	23,280	29,057
Consumption of raw material and miscellaneous supplies	43,586	42,089
Services rendered by third parties	43,164	50,170
Depreciation, note 12(b)	38,812	58,869
Purchase of mining services from AESA S.A., note 27(b)	32,608	42,292
Other personnel expense	21,968	18,423
Wages and salaries	16,579	16,263
Electricity	12,741	12,661
Employee benefits	9,567	11,474
Purchase of explosives from Exsa S.A.	6,801	7,299
Amortization, note 13(b)	3,506	4,888
Alowance for obsolescence of materials and supplies, note 8(b)	482	136
Other manufacturing expenses	4,358	4,212
Final balance of finished product inventory	(16,625)	(16,318)
Final balance of work in process inventory	(23,140)	(23,280)
	234,005	278,679

22. Administrative expenses

The composition of this caption is made up as follows:

	2016	2015
	US$(000)	US$(000)
Wages	7,832	9,185
Employee benefits	5,978	3,414
Others personnel expense	5,549	7,563
Other third-party services	4,740	4,473
Advice and consulting	2,020	2,515
Depreciation, note 12(b)	448	317
Other management charges and provisions	1,206	1,401
	27,773	28,868

23. Selling expenses

The composition of this caption is made up as follows:

	2016	2015
	US$(000)	US$(000)
Third-party services	2,051	2,606
Management charges and provisions	530	705
Warehouse expenses	447	604
Sales commissions	440	1,719
Wages	248	277
Employee benefits	224	107
Depreciation, note 12(b)	7	7
Other personnel expense	109	274
Reversal of the estimation for doubtful accounts, note 7(d)	(1,377)	-
	2,679	6,299

24. Exploration expenses and project expenses

The composition of this caption is made up as follows:

	2016 US$(000)	2015 US$(000)
Services provided by third parties	10,280	18,505
Purchase of contract mining services to AESA S.A., note 27(b)	1,600	2,399
Mineral rights	712	757
Wages	628	1,064
Employee benefits	484	1,065
Other diverse charges	262	633
Depreciation, note 12(b)	245	204
Amortization, note 13(b)	113	105
Other personnel expenses	796	1,541
	15,120	26,273

25. Other expenses, 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	2,929	4,278
Income for advisory services	1,474	1,599
Lease of property	1,051	134
Revenue from sale of property, plant and equipment	739	50
Reversal of provision for contingencies, note 16(a)	154	763
Others	1,116	347
	7,463	7,171
Other operating expenses		
Net cost of property, plant and equipment withdrawn	2,608	1,502
Cost of sale of supplies	2,374	3,656
Contributions to regulators	1,432	1,619
Deductible donations	1,407	1,456
Taxes assumed for financial cost of debt	1,403	1,403
Retirement fund for mining workers	987	822
Adjustments for physical inventory of supplies	281	88
Provision for contingency, note 16(a)	167	-
Depreciation, note 12(b)	157	249
Net cost of disposal of intangible assets	-	30
Others	3,185	1,221
	14,001	12,046
Total other expenses, net	(6,538)	(4,875)

26. Finance income and costs

The composition of this caption is made up as follows:

	2016	2015
	US$(000)	US$(000)
Finance income:		
Interest on time deposits	1,924	1,485
Interest on certificates of deposit, note 10(b)	1,423	1,450
Interest on accounts receivable	40	1,345
Other	298	218
	3,685	4,498
Finance costs:		
Interest on corporate bond	(28,125)	(28,125)
Amortization of issuance costs of corporate bond	(961)	(1,204)
Other	(11)	(38)
Interest expenses	(29,097)	(29,367)
Accretion, note 16(a)	(1,813)	(1,237)
	(30,910)	(30,604)

27. Related parties transactions

(a) Receivables and Payables -

The balances of the receivable and payable with related parties as of December 31, 2016 and 2015 follow:

	2016	2015
	US$(000)	US$(000)
Receivable (current):		
Mineração Taboca S.A.	8,090	-
Administración de Empresas S.A.	204	147
Marcobre S.A.C.	109	126
Compañía Minera Raura S.A.	93	289
Cumbres Andinas S.A.	14	14
Minera Latinoamericana S.A.C.	14	14
Cía. Minera Barbastro S.A.C.	14	14
Minera Sillustani S.A.C.	14	14
Clínica Internacional S.A.	4	6
Tecnológica de Alimentos S.A.	3	2
Minera Carabaya S.A (in dissolution)	-	1
	8,559	627
Payables (current):		
Administración de Empresas S.A.	8,217	12,139
Exsa S.A.	1,123	1,757
Inversiones San Borja S.A	176	-
Clínica Internacional S.A.	156	244
Rímac Seguros y Reaseguros	38	127
Protección Personal S.A.C.	19	5
Centria Servicios Administrativos S.A.	18	228
Inversiones Nacionales de Turismo S.A.	10	28
Urbanizadora Jardín S.A.	10	48
Corporación Peruana de Productos Químicos	9	76
Bodegas Viña de Oro	1	-
Rímac S.A. Entidad Prestadora de Salud	-	210
Compañía Minera Raura S.A.	-	45
Estratégica S.A.C.	-	17
Compañía Minera Barbastro S.A.C.	-	6
Constructora AESA S.A.	-	2
	9,777	14,932

The receivables from subsidiary Mineração Taboca S.A. corresponds to loans for working capital granted during 2016. These loans accrued, with effective interest rates of 12-month Libor plus 3.1%, have one year maturity from the date of subscription and have no specific guarantees.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2016, the Company 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.

Balances 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)
Administracion de Empresas S.A. (AESA) – Mining services, note 21 and note 24	34,208	44,691
Exsa S.A. – Purchase of explosives and others	7,265	7,518
Rimac Seguros y Reaseguros – Insurance coverage services	4,471	2,444
Mineração Taboca – Loans granted	8,000	-
Mineração Taboca – Collection of loans	-	81,938
Mineração Taboca – Interests on loans granted, note 26	-	1,345

During 2016, the Company made a working capital loan to Mineração Taboca. This loan accrues an effective interest rate of 3% plus 12-months Libor, has current maturity and does not have specific guarantees.

In April 2015, the subsidiary Mineração Taboca S.A. fully repaid the loans for working capital received by the Company during the years 2014 and 2015 for US$81,938,000. These loans accrued interest at a rate of 3-month Libor plus 5%.

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

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

	2016	2015
	US$(000)	US$(000)
Salaries	11,188	10,269
Board remuneration	420	420
	11,608	10,689

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

28. Commitments

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

(b) Law on Mine Closure -
On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", whose 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 units San Rafael, Pucamarca and Pisco amounts to US$51,353,000 (US$56,205,000 as of December 31, 2015). See to the movement of this provision in note 16(a).

29. Contingencies

(a) As a result of the tax reviews made for the years from 2000 to 2010, the Company 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 Company has appealed since it considers that those tax assessments 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 favorably resolved in the interests of the Company.

On the other hand, in the past the Company 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 Company will recognize these contingencies when its collection will be virtually certain.

(b) In the appeal presented by the Company to the tax authorities for the fiscal year 2002, the Company 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 Company 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 Company.

(c) Sanctioning administrative processes -

During 2016, and prior years, the Company has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" 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 and OEFA amounted to 597 tax units - TU (equivalent to US$772,000 as of December 31, 2016). In relation to these notifications, the Company has appealed these sanctions before the judicial power, being currently pending of resolution.

Management and its legal advisors have analyzed these processes and they have estimated a probable contingency of US$772,000 (US$608,000 as of December 31, 2015), which is presented under "Provisions" in the separate statement of financial position note 16(d).

(d) Labor processes -

The Company has several labor claims mainly compensation for damages for occupational disease. In this regard, the Management and its legal advisors have been following the various processes that affect the Company. As a result of this analysis as of December 31, 2016 and 2015, the Company maintains provisions for labor contingencies, estimated sufficient to cover the risks affecting the business for this item. As of December 31, 2016, these provisions amount to approximately US$228,000 (US$497,000 at December 31, 2015) and are presented in the "Provisions" caption of the separate statement of financial position note 16(d).

The Company also faces other labor claims amounting to US$214,000 by the Management and its legal counsel believe that it is only possible, not probable that such legal actions prosper, so that no provision was recorded for these labor demands of possible category as of December 31, 2016.

As of December 31, 2016, in the opinion of management and its external legal counsel, the resolution of environmental and labor contingencies would not result in additional liabilities to those already recorded.

30. Segment information

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

- Production and sale of tin produced in Peru.
- Production and sale of gold produced in Peru.

No operating segment has been aggregated to form the above reportable operating segments.

Management monitors the profit (loss) before tax for each business unit 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) before income taxes in the separate statements of profit or loss.

	Tin (Peru) US$(000)	Gold(Peru) US$(000)	Other non allocable (a) US$(000)	Total US$(000)
Year 2016				
Results:				
Net sales from third parties	356,317	133,333	-	489,650
Cost of sales	(173,714)	(60,291)	-	(234,005)
Administrative expenses	(20,617)	(7,156)	-	(27,773)
Selling expenses	(1,989)	(690)	-	(2,679)
Exploration and evaluation expenses	(11,224)	(3,896)	-	(15,120)
Other expenses, net	(4,853)	(1,685)	-	(6,538)
Operating income	143,920	59,615	-	203,535
Profit before income tax	-	-	146,620	146,620
Income tax	-	-	(58,771)	(58,771)
Profit for the year	-	-	87,849	87,849
Assets:				
Cash and cash equivalents	-	-	341,139	341,139
Inventory, net	39,657	20,437	-	60,094
Current assets	94,002	20,831	404,995	519,828
Property, plant and equipment e intangibles, net	151,558	152,257	-	303,815
Total assets	245,560	173,088	1,377,248	1,795,896
Liabilities:				
Financial obligations	-	-	440,106	440,106
Current liabilities	8,645	446	102,546	111,637
Total liabilities	44,586	12,911	542,652	600,149
Other disclosures:				
Additions of fixed assets and intangibles	35,126	7,902	-	43,028
Depreciation and amortization (included in costs and expenses)	15,931	27,357	-	43,288
Operating activities	-	-	167,690	167,690
Investing activities	-	-	(290,459)	(290,459)

	Tin (Peru) US$(000)	Gold(Peru) US$(000)	Other non allocable (a) US$(000)	Total US$(000)
Year 2015				
Results:				
Net sales from third parties	347,289	140,040	-	487,329
Cost of sales	(206,896)	(71,783)	-	(278,679)
Administrative expenses	(21,432)	(7,436)	-	(28,868)
Selling expenses	(6,198)	(101)	-	(6,299)
Exploration and evaluation expenses	(25,822)	(451)	-	(26,273)
Other expenses, net	(3,619)	(1,256)	-	(4,875)
Operating income	83,322	59,013	-	142,335
Loss before income tax	-	-	(372,169)	(372,169)
Income tax	-	-	(49,661)	(49,661)
Loss for the year	-	-	(421,830)	(421,830)
Assets:				
Cash and cash equivalents	-	-	382,926	382,926
Inventory, net	42,436	18,996	-	61,432
Current assets	87,540	18,996	406,390	512,926
Property, plant and equipment e intangibles, net	139,822	173,462	-	313,284
Total assets	227,362	192,458	1,213,704	1,633,524
Liabilities:				
Financial obligations	-	-	439,379	439,379
Current liabilities	8,972	1,154	81,794	91,920
Total liabilities	47,370	13,167	520,939	581,476
Other disclosures:				
Additions of fixed assets and intangibles	25,150	7,064	-	32,214
Depreciation and amortization (included in costs and expenses)	(30,390)	(34,249)	-	(64,639)
Operating activities	-	-	108,084	108,084
Investing activities	-	-	(63,878)	(63,878)

Geographic information

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

	2016	2015
	US$(000)	US$(000)
Tin:		
Europe	154,755	169,245
America	149,084	142,030
Asia	50,963	35,055
Peru	5,546	664
Gold:		
United States of America	85,218	140,040
Europe	47,665	-
	493,231	487,034
Embedded derivative for sale of tin	216	295
Loss of derivate financial instruments, note 31.1	(3,797)	-
	489,650	487,329

(a) As of December 31, 2016 and 2015 the segment "Other non-allocable" includes the following:

- Assets level: other account receivables, investments in subsidiaries and associates, financial assets at fair value through profit or loss, income tax prepayments and other minor assets for a total of US$1,377,248,000 (US$1,213,704,000 as of December 31, 2015), which are measured by Management on a common basis for the gold and tin segments.

- Liabilities level: trade and other payables (except workers' profit sharing and bonuses to employees), deferred income tax and minor provisions for US$542,652,000 (US$520,939,000 as of December 31, 2015), which are measured by management on a common basis for the gold and tin segment.

31. Financial instrument risk management, objectives and policies

31.1. Financial risk factors -

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

The Company'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 Company's financial risk management program focuses on mitigating potential adverse effects on its financial performance of the Company.

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 ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants as of December 31, 2016 and 2015.

Foreign currency risk –

The Company operates internationally and its exposure to exchange risk results from its operations agreed in other currencies than its functional currency. The transactions of the Company are mainly agreed and settled in U.S. dollar and Soles. As a result, the Company is exposed to the risk of variation of the exchange rates.

The Management has decided to assume the foreign currency risk; therefore, it does not contract derivative financial instruments to reduce its exposure to this financial risk.

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

Año	Revaluation/ devaluation in the exchange rate	Effect on profit (loss) before income tax US$(000)
2016	10%	4,399
	-10%	(4,399)
2015	10%	2,620
	-10%	(2,620)

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As of December 31, 2016 and 2015 the Company corporate bonds have a fixed effective interest rate. Accordingly, Management has assessed that is not relevant to conduct a sensitivity analysis to changes in interest rates.

Price risk –

Investments

The Company is exposed to the risk of fluctuation in the prices of its investments maintained and classified in its separate statement of financial position at fair value through profit and loss. The Management 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 Company in the years 2016 and 2015 if the price of the financial instruments that trades in the market had increased/reduced 5% and the rest of the variables had remained constant.

Año	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 and gold prices have a significant impact on the results of operations of the Company. These tin and gold prices historically have fluctuated and are influenced by factors beyond of the Company control. During 2016, the Company entered into collars of tin and gold prices which were classified as cash flow hedging instruments to manage its price risk, recognizing the loss of these derivative financial instruments in the "Sales, net" of the separate statement of profit or loss for US$3,797,000.

As December 31, 2016, as a result of such hedging operations, the Company has recognized a receivable of US$394,000 and an account payable of US$1,632,000 which were already collected and paid in January 2017.

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

The table below summarizes the impact of changes in prices of tin in profit (loss) 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$/TM 22,676; while for the negative scenario was considered an average price of US$/TM 20,516.

In the case of gold sales, these are made at market prices on the date of release, which are not subject to provisional pricing, nor the price risk associated with it.

Año	**Increase/decrease of price**	**Effect on (loss) profit before income tax** US$(000)
2016	10%	2,332
	-10%	(2,332)
2015	10%	3,225
	-10%	(3,225)

(ii) Credit risk -

The Company's financial assets potentially exposed to credit risk concentrations are mainly bank deposits and trade receivables. With regard to bank deposits, the Company 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 Company 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 separate 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 Company 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 receivables are periodically reviewed to ensure their recovery. Sales of tin and gold are conducted primarily to foreign customers located mainly in the United States and Europe. As of December 31, 2016 the Company has a portfolio of approximately 63 customers (approximately 64 customers as of December 31, 2015). As of December 31, 2016, the 3 most important customers of the Company represent approximately 30% of sales (approximately 24% of its sales as of December 31, 2015).

Other receivables -
These receivables are not related to the main operating activities of the Company. The Company's management constantly monitors the credit risk of these items and periodically evaluates those debts that show impairment indicators to determine the required provision 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 Company 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 Company permanently monitors the liquidity reserves based on the permanent analysis of its working capital (liquidity ratio) and projected cash flows which take into account the future prices of the products it sells and cost required for production and sale.

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

	On demand US$(000)	Due within 3 months US$(000)	Due within 3 to 12 months US$(000)	Due within 1 to 5 years US$(000)	Due in more than 5 years US$(000)	Total US$(000)
As of December 31, 2016						
Interest-bearing loans and borrowings:						
Principal	-	-	-	-	450,000	450,000
Future interest	-	14,062	14,062	140,625	42,189	210,938
Trade and other payables	-	60,848	1,429	-	-	62,277
	-	74,910	15,491	140,625	492,189	723,215
As of December 31, 2015						
Interest-bearing loans and borrowings:						
Principal	-	128	106	-	450,000	450,234
Future interest	-	14,062	14,062	140,625	70,312	239,061
Trade and other payables	-	56,320	1,460	-	-	57,780
	-	70,510	15,628	140,625	520,312	747,075

31.2. Capital risk management -

The Company'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 Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company controls dividend payments to shareholders, the return of capital to shareholders and the issuance of new shares. No changes were made to the objectives, policies or processes during the year ended December 31, 2016.

32. Financial assets and financial liabilities

(a) Financial asset 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:	6,072	6,412
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 33	47	263
Total financial instruments at fair value	47	263

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. These 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 Company include trade and other payables and interest-bearing loans and borrowings are classified as loans and borrowings and are carried at amortized cost.

(b) Fair value

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, trade and diverse 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 interests 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 Company presented in the separate 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 payables	92,167	80,455	92,167	80,455
Total financial liabilities	532,273	519,834	408,667	357,055

(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 Company 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 Company'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:				
Embedded derivative for sales of tin	(47)	(47)	-	-

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

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

		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, 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	(263)	(263)	-	-

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

33. Embedded derivatives 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 derivative as of December 31, 2016 and 2015:

Metal	Quantity	Quotations period	Valuations		Fair value
			Provisional	Futures	
			US$(000)	US$(000)	US$(000)
Sale of mineral: 2016					
Tin	1,080 TM	January/February 2017	23,371	23,324	(47)
Total net liability					(47)
Sale of mineral: 2015					
Tin	2,138 TM	January – March 2016	32,509	32,246	(263)
Total net liability					(263)

34. Explanation added for translation to English language

The accompanying separate 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 separate financial statements should be read in conjunction with the Spanish separate financial statements, in the event of a discrepancy the Spanish language version prevails.

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