

Minsur S.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of 31 December 2017

1. Corporate information

(a) Identification -

Minsur S.A. (hereinafter "the Company") was incorporated in Peru in October 1977. The activities of the Company are regulated by the Peruvian General Mining Law. The Company is a subsidiary of 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 10, 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 investment in Marcobre S.A.C. that in the feasibility stage; and through its subsidiary Cumbres del Sur S.A.C. has investments in Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C., mining companies that are under exploration and evaluation of mineral resources.

(c) Corporate reorganization

(c.1) Fusion of Marcobre S.A.C. with matrix CA Resources S.A.C. and subsidiaries

At the General Shareholders' Meeting of Marcobre S.A.C. dated July 10, 2017, the merger by absorption between Marcobre S.A.C. (absorbing company) and CA Resources S.A.C. and subsidiaries, holding companies whose assets corresponded to shares of other Group companies with an effective date of July 31, 2017.

The merger of entities under common control is not within the scope of IFRS 3 "Business combination". Because the aforementioned corporate reorganization has not meant a change in the control of the Company, ie the entities that have participated in the corporate reorganization belong to the same economic group.

As a result of this transaction, the Company eliminated the assets of CA Resources S.A.C. and subsidiaries with the investments that were maintained.

(c.2) Purchase of non-controlling interest -

On September 28, 2016, through its subsidiary Cumbres Andinas SA, the Group acquired the non-controlling interest of Marcobre S.A.C. (Marcobre) which represented 30% of its capital stock belonging to KLS Limited, obtaining the control of 100% of the shares of Marcobre, owner of the Mina Justa project. Under this agreement, the consideration for the purchase of such shares amounted to US\$85,000,000, of which US\$60,000,000 was paid through a deposit in an escrow account in favor of KLS Limited, the same one that was released in May of this year according to the contractual terms agreed. The remaining balance will be paid in five annual installments of US\$5,000,000 each, from what happens first between: (a) 10 business days after the start of commercial production of the Mina Justa project, or (b) on September 30, 2023, the present value of said liability being US \$16,552,000, see note 13.

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(d) Consolidated financial statements -

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

	Participation in the issued capital			
	December 31, 2017		December 31, 2016	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
Subsidiaries in Brazil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in Cayman Islands (note 1(c)):				
CA Marcobre I (*)	-	-	-	100.00
CA Marcobre II (*)	-	-	-	100.00
CA Minerals Marcobre Limited (*)	-	-	-	100.00
CA Minerals Peru Limited (*)	-	-	-	100.00
CA Resources Limited (*)	-	-	-	100.00
Subsidiaries in Peru:				
Minera Latinoamericana S.A.C.	100.00	-	99.99	-
Cumbres Andinas S.A.	99.98	-	99.98	-
Cumbres del Sur S.A.C.	100.00	-	-	-
Compañía Minera Barbastro S.A.C.	-	99.99	-	99.98
Minera Sillustani S.A.C.	-	99.99	-	99.47
Marcobre S.A.C.	-	100.00	-	100.00
Subsidiaries in United States:				
Minsur USA Inc.	-	-	-	99.99

(*) Through these companies, indirectly, investment in subsidiary Marcobre S.A.C. which were absorbed by Marcobre S.A.C., see note 1 (c).

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

- Minera Andes del Sur SPA. -
This subsidiary is engaged in the exploration and exploitation of mineral resources contained in the mining properties will be acquired.
- Mineração Taboca S.A. -
This mining entity is engaged in the exploitation of the Pitinga mine, located in the northeast region in the Amazonas state, in the Federative Republic of Brazil. This mine has mainly resources of tin, as well as other minerals.

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- Mamoré Mineração e Metalurgia Ltda. -
This subsidiary is engaged in the operation of the smelting plant of Pirapora, in Sao Paulo, Brazil.
- Minera Latinoamericana S.A.C. -
Through this subsidiary, the Company has investments in Mineração Taboca S.A. and subsidiary, as well as in Inversiones Cordillera del Sur Ltda. and subsidiaries and in Minera Andes del Sur S.P.A.
- Cumbres Andinas S.A. -
Currently, the activities of this subsidiary are limited to the holding of shares in mining entities in the exploration stage and/or pre-feasibility studies (Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C.), and to the holding of mining concessions.
- Compañía Minera Barbastro S.A.C. -
This subsidiary is engaged in the exploration and exploitation of mining rights. Currently, it is engaged in the development of Marta mining unit, located in Tinyaclla, district of Huando, in the Huancavelica region.
- Minera Sillustani S.A.C. -
This subsidiary is engaged in the exploration of mining concessions and quarries, and in the development of mining projects of tungsten Palca 11 and Hacienda de Beneficio Rocio 2, located in San Antonio de Putina, Puno region. Currently it is mainly engaged in the rehabilitation and remediation of mining projects in Puno Regina mining unit.
- Marcobre S.A.C. -
This subsidiary is engaged in the development of mining activities in Peru, it can enter into agreements related to such activity, by its own or through third parties. Currently, its activities are mainly focused in the development of its copper project 'Justa Mine', which is in the pre-feasibility stage and its located approximately at 400 kilometers to the southeast of Lima, Ica Region.

2. Basis of preparation and accounting policies

2.1. Basis of preparation -

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in force as of December 31, 2017.

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

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

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

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

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2.2. Basis of consolidation -

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

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

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

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

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

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

2.3. Change in accounting policies and disclosure -

Certain standards and amendments were in force for the annual periods beginning on January 1, 2017; however, they had no impact on the consolidated financial statements of the Group and, therefore, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments issued, which is not yet effective.

2.4. Summary of significant accounting policies -

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

(a) Cash and cash equivalents -

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

(b) Financial Instruments: Initial recognition and subsequent measurement -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i). Financial Assets -

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-

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for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent Measurement -

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

- Financial asset at fair value through profit and loss
- Loans and receivable
- Held-to-maturity investments
- Available-for-sale financial investments

Financial asset at fair value through profit and loss -

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

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

The Group has classified certain investments as financial assets at fair value through profit or loss (see Note 8).

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 through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Loans and receivable -

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

This category applies to trade and other receivables. For more information on receivables, refer to Note 6.

Held-to-maturity investments -

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. The Group did not have any held-to-maturity investments during the years ended December 31, 2017 and 2016.

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Available-for-sale (AFS) financial investments -

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

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

The Group has classified equity securities and debt instruments as available-for-sale financial investments as of December 31, 2017 and 2016 see note 9.

Derecognition -

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

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

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

- (ii). Impairment of financial assets -

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

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Financial assets carried at amortized cost

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

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

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

Available-for-sale (AFS) financial investments

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

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

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

Then, interest income are recognized based on the updated carrying amount of the reduced asset, using the discount rate in future cash flows used in the measuring the impairment loss. Interest income are recorded as part of financial income. If in the future,

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the fair value of the debt instrument increases and the increase can be objectively related to an event after the loss recognition in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

(iii). Financial liabilities -

Initial recognition and measurement -

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

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

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

Subsequent measurement -

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

Financial liabilities at fair value through profit and loss -

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

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

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

Loans and borrowings -

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

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

This category includes trade and other payables and interest-bearing loans and borrowings. For more information refer notes 13 and 14.

Derecognition of accounts -

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

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

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

- (v). Fair Value -
The Group measures financial instruments as embedded derivatives, derivative financial instruments and available-for-sale investments at fair value at each consolidated statement of financial position date.

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

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

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

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

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

Transactions and balances -

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

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

Translation of financial statements of foreign subsidiaries into U.S. dollars -

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

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exchange differences arising on translation are recognized in other comprehensive profit or loss of the consolidated statement of the comprehensive income.

(d) Inventories -

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

Raw materials -

- Purchase cost using the weighted average method.

Finished goods, work in progress and mineral pitch -

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

Inventory in transit -

- Purchase cost.

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

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

(e) Investments in associates -

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

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

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investments in associates. The Group

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determines at each date of the consolidated statement of financial position whether there is objective evidence that the investment in the associates are impaired. If applicable, the Group calculates the amount of impairment as the difference between the fair value of the investment in the associate and the carrying value and recognizes the loss in the consolidated statement of profit or loss.

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

(f) Property, plant and equipment -

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

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

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

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

Depreciation -

Units-of-production (UOP) method:

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

Straight-line method:

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

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

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

Disposals -

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

(g) Leases -

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

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

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

Finance leases -

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

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

Operating leases -

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

(h) Mining concessions -

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

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

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

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(i) Exploration and evaluation expenditure -

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

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

(j) Development cost -

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

Development activities include:

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

Development costs necessary to maintain production are expensed as incurred.

(k) Stripping (waste removal) costs -

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

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

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

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

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

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

Goodwill -

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

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

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

Licenses -

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

Usufruct of lands -

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

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

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

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

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

(n) Provisions -

General -

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

Provision for closure of mining units -

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

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

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

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

Environmental expenditures and liabilities -

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

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

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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) Employee benefits -

The remunerations, severance contributions, legal bonuses, performance bonuses and vacations to workers are calculated in accordance with IAS 19, "Employee Benefits" and are calculated in accordance with Peruvian legal regulations in force and on an accrual basis.

(p) Revenue recognition -

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

Metal sales -

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

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

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

Service revenues -

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

Interest income -

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

Dividends -

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

(q) Taxes -

Current income tax -

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws

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used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

Deferred income tax -

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

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

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

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

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

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

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

Mining Royalties and Special Mining Tax in Peru -

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

Consequently, payments made to the Government by way of special mining and mining royalty tax are under the scope of IAS 12 and, therefore, is treated as income taxes. Both the mining royalty as the special mining tax generate deferred tax assets or deferred tax

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liabilities which must be measured using the average rates that are expected to apply to operating profit in the period in which the Group expects will reverse the temporary differences.

Sales Tax -

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

- (i). When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; When receivables and payables are stated with the amount of sales tax included.

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

(r) Derivative financial instruments and hedge accounting -

Initial recognition and subsequent measurement -

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

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

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

(s) Basic and diluted earnings per share -

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

As of December 31, 2017 and 2016, the Company does not have dilutive financial instruments, thus the basic and diluted earnings per share are the same for the presented periods.

3. Judgements, estimates and assumptions -

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses,

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

3.1. Judgements -

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

(a) Contingencies -

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

(b) Start date of development stage -

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

3.2. Estimates and assumptions -

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

(a) Determination of mineral reserves and resources -

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

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

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

This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located.

These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in estimates are accounted for prospectively.

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

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

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

The fair value of mining assets is generally calculated by the present value of future cash flows arising from the continued use of the asset, which include some estimates, such as the cost of future expansion plans, using assumptions that a third party might consider.

The future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money over time, as well as specific risks of the asset or cash-generating unit under evaluation. The Group determined the units operations of each unit as independent cash-generating unit.

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

4. Standards issued but not yet effective

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

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- **IFRS 9 Financial Instruments**

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

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

- **IFRS 15 "Revenue from ordinary activities Proceeds from Contracts with Customers"**

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

- **IFRS 16 "Leases"**

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

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5. Cash and cash equivalents

(a) This item comprises the following:

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Cash on hand and petty cash	11	15
Remittances in transit	2	-
Cash demand deposits (b)	34,377	17,913
Overnight deposits (c)	101,377	63,819
Time deposits (d)	103,818	270,808
Certificates of bank deposits (e)	895	788
Balance considered in the consolidated statements of cash flow	240,480	353,343
Time deposits with original maturities greater than 90 days	160,444	30,173
Total	400,924	383,516

(b) As of December 31, 2017 and 2016, the Group maintains its cash demand deposits in local and foreign banks of first level and are freely available.

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

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

(e) As of December 31, 2017 corresponded to Bank Deposits Certificates – CDB's kept by Mineração Taboca S.A. amounted to R\$2,965,000 (equivalent to US\$895,000) and have original maturities of less than 90 days, (R\$2,565,000 equivalent to US\$788,000 as of December 31, 2016).

6. Trade and other receivables, net

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

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Trade:		
Invoices receivable from sale of tin (b)	72,369	73,872
Allowance for doubtful accounts (c)	(1,210)	(1,210)
	71,159	72,662
Related parties, note 29	3,269	304
Other receivables:		
Value added tax credit and other tax credits (d)	74,835	56,400
Advances to suppliers	2,663	7,153
Judicial deposits	7,187	6,863
Restricted funds	395	1,292
Others	6,686	7,927
	91,766	79,635
Total	166,194	152,601

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	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
By maturity:		
Current	103,488	98,937
Non Current	62,706	53,664
Total	166,194	152,601
By nature:		
Financial Asset	91,359	96,201
Non-Financial Asset	74,835	56,400
Total	166,194	152,601

- (b) As of December 31, 2017 and 2016, the trade receivables are interest free and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Group's management constantly evaluates market conditions, and uses the aging assessment of trade operations.
- (c) The movement of the allowance for doubtful accounts for December 31, 2017 and 2016 is as follows:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Opening balance	1,210	2,587
Recovery of doubtful estimate	-	(1,377)
Ending balance	1,210	1,210

7. Inventories, net

- (a) The item is composed of the following:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Finished products	22,409	18,898
Work in progress	38,317	45,435
Materials and supplies	47,239	40,731
Mineral extracted	3,829	449
Inventory in transit	3,648	977
	115,442	106,490
Impairment loss of inventories (b)	(3,834)	(3,471)
Allowance for obsolescence (c)	(1,530)	(2,804)
Total	110,078	100,215

- (b) The impairment loss of finished products and work in progress had the following movement for December 31, 2017 and 2016:

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	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Opening balance	3,471	3,972
(Recovery) allowance for the year, note 20	1,059	(1,281)
Translation, note 20	(696)	780
Ending balance	3,834	3,471

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

- (c) The allowance for obsolescence of materials and supplies had the following movement for December 31, 2017 and 2016:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Opening balance	2,804	2,322
Allowance for the year, note 20	86	482
Translation	(1,360)	-
Ending balance	1,530	2,804

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

8. Financial asset at fair value through profit and loss

- (a) As of December 31, 2017 and 2016 the Group holds in equity shares of BBVA of Spain amounting to US\$7,792,000 and US\$6,072,000, 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, 2017 the Group maintains an investment in shares of Rímac Seguros and Reaseguros for US\$29,325,000; entity of recognized prestige in the national market so it has a very low level of risk.
- (c) As of December 31, 2017 and 2016 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:

	As of 12.31.2017				
	Opening balance US\$(000)	Transfer (note 10) US\$(000)	Changes in the fair value US\$(000)	Return on stocks equity US\$(000)	Fair Value US\$(000)
BBVA España	6,072	-	1,582	138	7,792
Rímac	-	21,070	8,255	-	29,325
Total	6,072	21,070	9,837	138	37,117

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	As of 12.31.2016				
	Opening balance US\$(000)	Transfer (note 10) US\$(000)	Changes in the fair value US\$(000)	Return on stocks equity US\$(000)	Fair Value US\$(000)
BBVA España	6,412	-	(358)	18	6,072
Total	6,412	-	(358)	18	6,072

- (d) As of December 31, 2017, the Group received cash dividends and share dividends from BBVA of Spain by US\$177,000 and US\$138,000, respectively (US\$159,000 in dividends in cash and US\$18,000 in dividends share of stock in the year 2016), which were credited to the results of the year.

9. Available-for-sale financial investments

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

	As of 12.31.2017				
	Cost US\$(000)	Unrealized results US\$(000)	Accrued interests US\$(000)	Settlement of investment US\$(000)	Fair Value US\$(000)
Mutual funds with public quotation	125,000	6,713	-	-	131,713
Certificates of deposit without public quotation	35,000	-	2,557	(37,557)	-
Investment certificate in the state	2,935	-	-	-	2,935
Total	162,935	6,713	2,557	(37,557)	134,648

	As of 12.31.2016				
	Cost US\$(000)	Unrealized results US\$(000)	Accrued interests US\$(000)	Settlement of investment US\$(000)	Fair Value US\$(000)
Mutual funds with public quotation	125,000	3,810	-	-	128,810
Certificates of deposit without public quotation	65,000	42	3,104	(31,256)	36,890
Total	190,000	3,852	3,104	(31,256)	165,700

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:

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	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Opening balance	165,700	192,498
Public investment certificates - Local governments	2,935	-
Settlement of certificates of deposit	(37,557)	(31,256)
Unrealized gains	2,861	3,035
Accrued interest in certificated deposits, note 25	709	1,423
Ending balance	134,648	165,700

10. Investment in affiliates -

(a) This item comprises the following:

	Interest in equity		Equity value	
	As of 12.31.2017	As of 12.31.2016	As of 12.31.2017	As of 12.31.2016
	%	%	US\$(000)	US\$(000)
Associates				
Inversiones Cordillera del Sur Ltda	73.94	73.94	285,494	264,342
Rímac Seguros y Reaseguros	-	14.51	-	61,015
Servicios Aeronáuticos Unidos S.A.C.	-	47.50	-	2,871
Explosivos S.A.	10.95	7.30	12,610	12,182
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,202	5,113
Ending balance			303,306	345,523

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

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

(b) Affiliates' participation in the net profit (loss) is the following:

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Inversiones Cordillera del Sur (c)	10,507	22,874
Rímac Seguros y Reaseguros (c)	2,464	3,161
Explosivos S.A. (c)	409	4,294
Futura Consorcio Inmobiliario S.A. (c)	(93)	(266)
Servicios Aeronáuticos Unidos S.A.C. (c)	(286)	(504)
Ending balance	13,001	29,559

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(c) Following are the main investment activities in affiliates and relevant data by the affiliates:

Inversiones Cordillera del Sur Ltda. and subsidiaries

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

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

	As of 12.31.2017	At 31.12.2016
	US\$(000)	US\$(000)
Opening balance	264,342	227,337
Plus (minus):		
Translation	10,718	8,820
Participation in net profit (loss)	10,507	22,874
Unrealized gains	331	5,311
Others	(404)	-
Ending balance	285,494	264,342

Rímac Seguros y Reaseguros

As of September 26, 2017, the Group sold through a stock exchange to Inversiones Breca S.A. the amount of 119,700,000 of the shares held by Rímac Seguros and Reaseguros, at their fair value of US\$61,139,000. The total profit generated by the sale of this investment was US\$21,254,000. As of December 31, 2017, the company owns 63,020,532 shares of Rímac Seguros y Reaseguros, an investment that has been reclassified as a financial asset at fair value through results (note 8 (c)).

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

	As of 12.31.2017	At 31.12.2016
	US\$(000)	US\$(000)
Opening balance	61,015	48,214
Plus (minus):		
Unrealized gains	-	10,830
Translation	-	881
Participation in net profit (loss)	2,464	3,161
Dividends	(2,389)	(1,903)
Transfer to investments, note 9(c)	(21,070)	-
Sale of shares	(40,020)	-
Others	-	(168)
Ending balance	-	61,015

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.

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

	As of 12.31.2017 US\$(000)	At 31.12.2016 US\$(000)
Opening balance	12,182	7,886
Plus (minus):		
Participation in net profit (loss)	409	4,294
Translation	-	2
Others	19	-
Ending balance	12,610	12,182

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.:

	As of 12.31.2017 US\$(000)	At 31.12.2016 US\$(000)
Opening balance	5,113	5,318
Plus (minus):		
Translation	181	83
Participation in net profit (loss)	(93)	(266)
Unrealized gains	-	(7)
Others	1	(15)
Ending balance	5,202	5,113

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.:

	As of 12.31.2017 US\$(000)	At 31.12.2016 US\$(000)
Opening balance	2,871	3,375
Plus (minus):		
Participation in net profit (loss)	(286)	(504)
Investment liquidation	(2,575)	-
Others	(10)	-
Ending balance	-	2,871

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11. Property, plant and equipment, net

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

	Opening balance 01.01.2017	Additions	Disposals	Changes in mine closure costs	Impairment	Adjustments and reclassific.	Translation	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -								
Land	21,825	1,435	-	-	(337)	-	(11)	22,912
Buildings and installations	458,691	20	(3,223)	-	(33,632)	41,178	(1,259)	461,775
Machinery and equipment	368,115	5,355	(3,949)	-	(16,035)	27,457	(2,111)	378,832
Furniture, fixtures and computer equipment	12,034	(78)	(63)	-	(269)	1,288	(88)	12,824
Vehicles	12,502	36	(833)	-	(703)	866	(133)	11,735
Units to receive	-	1	-	-	-	-	-	1
Work in progress	113,283	125,731	(13,566)	-	(23,914)	(70,944)	(3,267)	127,323
Mine closure costs	81,388	-	-	16,695	(6,511)	-	(151)	91,421
	<u>1,067,838</u>	<u>132,500</u>	<u>(21,634)</u>	<u>16,695</u>	<u>(81,401)</u>	<u>(155)</u>	<u>(7,020)</u>	<u>1,106,823</u>
Accumulated Depreciation -								
Buildings and installations	220,917	29,729	(1,227)	-	-	-	(515)	248,904
Machinery and equipment	264,983	25,098	(1,952)	-	-	-	(1,761)	286,368
Furniture, fixtures and computer equipment	8,533	1,052	(20)	-	-	-	(60)	9,505
Vehicles	8,717	990	(789)	-	-	-	(103)	8,815
Mine closure costs	38,754	-	-	5,872	-	-	46	44,672
	<u>541,904</u>	<u>56,869</u>	<u>(3,988)</u>	<u>5,872</u>	<u>-</u>	<u>-</u>	<u>(2,393)</u>	<u>598,264</u>
Net cost	<u>525,934</u>							<u>508,559</u>

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	Opening balance 01.01.2016	Additions	Deductions and Adjustments	Changes in mine closure costs	Adjustments and reclassific.	Translation	Ending balance 31.12.2016
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -							
Land	20,983	600	-	-	-	242	21,825
Buildings and installations	414,606	18,566	(9,650)	-	18,733	16,436	458,691
Machinery and equipment	325,004	3,278	(3,217)	-	23,760	19,290	368,115
Furniture, fixtures and computer equipment	10,218	7	(144)	-	1,299	654	12,034
Vehicles	12,491	-	(2,001)	-	504	1,508	12,502
Work in progress	61,113	81,337	(318)	-	(40,636)	11,787	113,283
Mine closure costs	68,453	-	-	10,766	-	2,169	81,388
Financial leasing	3,660	-	-	-	(3,660)	-	-
	916,528	103,788	(15,330)			52,086	1,067,838
Accumulated Depreciation -							
Buildings and installations	198,830	27,926	(9,022)	-	-	3,183	220,917
Machinery and equipment	230,423	21,716	(1,571)	-	1,632	12,783	264,983
Furniture, fixtures and computer equipment	7,013	1,106	(74)	-	-	488	8,533
Vehicles	8,263	1,007	(1,576)	-	29	994	8,717
Mine closure costs	35,137	3,341	-	-	-	276	38,754
Financial leasing	1,363	299	-	-	(1,661)	(1)	-
	481,029	55,395	(12,243)			17,723	541,904
Net cost	435,499						525,934

- (b) Work in progress as of December 31, 2017 amounted to US\$127,323,000 (US\$113,283,000 as of December 31, 2016) and this is mainly related to investments made in the transformation project in the mining unit of Brazil to increase the volume of production.

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12. Intangible Assets, net

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

	Opening balance 01.01.2017	Additions	Revalua- tion	Impairment	Adjustments and transfer	Translation	Ending balance 12.31.2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost:							
Indefinite useful life							
Goodwill							
Mineração Taboca S.A.	43,868	-	-	(41,837)	-	(2,031)	-
	43,868	-	-	(41,837)	-	(2,031)	-
Definite useful life							
Mining concessions	315,290	3,000	121,646	(25,318)	-	(1,784)	412,834
Mine development costs	53,581	30,422	-	-	-	-	84,003
Connection and easement rights	5,946	-	-	-	86	-	6,032
Usufruct of lands	4,062	807	-	-	(86)	83	4,866
Remediation asset	1,132	1	-	-	-	-	1,133
Licenses	673	273	-	-	108	(8)	1,046
	380,684	34,503	121,646	(25,318)	108	(1,709)	509,914
	424,552	34,503	121,646	(67,155)	108	(3,740)	509,914
Accumulated amortization:							
Mining concessions	14,561	3,998	-	-	-	(342)	18,217
Mine development costs	14,734	5,447	-	-	-	-	20,181
Connection and easement rights	1,581	312	-	-	(75)	-	1,818
Usufruct of lands	1,658	320	-	-	(42)	23	1,959
Remediation asset	848	308	-	-	29	-	1,185
Licenses	482	90	-	-	88	(7)	653
	33,864	10,475	-	-	-	(326)	44,013
Net cost	390,688						465,901

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	Opening balance 01.01.2016	Additions	Adjustments and transfer	Translation	Ending balance 31.12.2016
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost:					
Indefinite useful life					
Goodwill of Mineração Taboca S.A.	36,044	-	-	7,824	43,868
	36,044	-	-	7,824	43,868
Definite useful life					
Mining concessions and mining rights	295,421	155	(579)	20,293	315,290
Mine development costs	30,257	23,324	-	-	53,581
Connection and easement rights	3,803	437	1,706	-	5,946
Usufruct of lands	5,716	15	(1,706)	37	4,062
Remediation asset	-	-	1,132	-	1,132
Licenses	470	9	118	76	673
	335,667	23,940	671	20,406	380,684
	371,711	23,940	671	28,230	424,552
Accumulated amortization:					
Mining concessions and mining rights	9,840	3,484	(564)	1,801	14,561
Mine development costs	11,988	2,746	-	-	14,734
Connection and easement rights	1,210	371	-	-	1,581
Usufruct of lands	1,358	292	-	8	1,658
Remediation asset	-	284	564	-	848
Licenses	336	80	-	66	482
	24,732	7,257	-	1,875	33,864
Net cost	346,979				390,688

13. Commercial and diverse Accounts Payable

(a) This item comprises the following:

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	As of 12.31.2017 \$(000)	As of 12.31.2016 \$(000)
Trade payables (b):	91,414	78,589
Related parties, note 29	7,565	10,174
Other payables (b):		
Interest payable	26,814	25,900
Workers' profit sharing (c)	20,719	17,303
Accounts payable for acquisition of non-controlling, note 1(c)	16,433	15,760
Other taxes and contributions payable	14,342	12,807
Payable due to acquisition of mining concessions (d)	3,000	10,000
Remuneration and Board's fees payable	2,547	7,853
Others	3,941	2,862
	87,796	92,485
Total	186,775	181,248
By maturity:		
Current portion	152,134	141,798
Non-current portion	34,641	39,450
Total	186,775	181,248

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

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

- (c) Workers' profit sharing -

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

- (d) Payable due to acquisition of mining concession -

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

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

As of December 31, 2017 the Company has not adopted the decision to exercise the mining option and has not incurred in any disbursements regarding to this contract.

14. Financial Obligations

(a) This item comprises the following:

Entity	Guarantee	Interest rate	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Corporated bonds, net of issuance costs (c)	No guarantee	6.25%	440,832	440,106
Citibank	Minsur Corporate	Libor 3 month +2.28%	74,930	-
Banco do Brasil	Export sales (100%)	4.10%	23,022	56,270
Banco Itaú	No guarantee	6.59%	19,299	30,482
Bank of America	Export sales (100%)	5.01%	17,364	-
Banco Santander	Export sales (100%)	6.89%	-	13,790
Banco ABC Brasil	Export sales (100%)	7.48%	-	6,100
Banco BBM	Export sales (100%)	6.00%	6,091	-
Banco Santos	Export sales (100%)	Tasa CDI +2%	4,490	4,571
Citibank	Export sales (100%)	Libor 3 month +2.28%	334	-
FINAME BNDES (Santander)	Leased assets	6.00%	-	120
FINAME BNDES (Safra)	Leased assets	6.00%	-	72
			586,362	551,511
By maturity:				
Current portion			66,110	106,781
Non-current portion			520,252	444,730
			586,362	551,511

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

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

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15. Provisions

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

	Provision for mine closure (b) US\$(000)	Provision for environmental remediation (c) US\$(000)	Provision for contingencies (d) US\$(000)	Provision for bonuses to employees US\$(000)	Total US\$(000)
As of January 1, 2016	99,490	30,603	3,741	7,821	141,655
Additions	1,616	2,013	1,754	10,066	15,449
Translation	8,672	4,708	539	563	14,482
Accretion	1,888	11,574	-	-	13,462
Change in estimates	9,150	154	-	-	9,304
Payments and advances	(889)	(4,040)	(58)	(8,487)	(13,474)
Reversals	-	-	(449)	-	(449)
Reclassifications	(15,901)	15,901	-	-	-
As of December 31, 2016	104,026	60,913	5,527	9,963	180,429
Additions	-	1,793	2,953	11,323	16,069
Translation	(1,087)	(709)	(88)	(34)	(1,918)
Accretion	1,558	(3,518)	-	-	(1,960)
Change in estimates	16,695	2,573	-	-	19,268
Payments and advances	(5,581)	(8,678)	(14)	(9,520)	(23,793)
Reversals	-	-	(1,453)	(2,006)	(3,459)
As of December 31, 2017	115,611	52,374	6,925	9,726	184,636
By maturity:					
Current portion	7,607	14,592	2,283	9,477	33,959
Non-current portion	96,419	46,321	3,244	486	146,470
As of December 31, 2016	104,026	60,913	5,527	9,963	180,429
By maturity:					
Current portion	3,515	8,725	2,237	9,212	23,689
Non-current portion	112,096	43,649	4,688	514	160,947
As of December 31, 2017	115,611	52,374	6,925	9,726	184,636

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

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	Pitinga and Pirapora units US\$(000)	Unidad San Rafael, Pucamarca and Pisco US\$(000)	Others US\$(000)	Total US\$(000)
As of January 1, 2016	40,233	56,205	3,052	99,490
Additions	-	-	1,616	1,616
Change in estimates	14,835	(6,601)	916	9,150
Accretion	-	1,813	75	1,888
Payments and advances	-	(64)	(825)	(889)
Reclassifications	(15,901)	-	-	(15,901)
Translation	8,663	-	9	8,672
As of December 31, 2016	47,830	51,353	4,843	104,026
Additions	-	-	-	-
Change in estimates	6,169	9,671	855	16,695
Accretion	-	1,491	67	1,558
Payments and advances	-	(33)	(5,548)	(5,581)
Translation	(1,064)	-	(23)	(1,087)
As of December 31, 2017	52,935	62,482	194	115,611
By maturity:				
Current portion	-	2,947	4,660	7,607
Non-current portion	47,830	48,406	183	96,419
As of December 31, 2016	47,830	51,353	4,843	104,026
By maturity:				
Current portion	-	3,464	51	3,515
Non-current portion	52,935	59,018	143	112,096
As of December 31, 2017	52,935	62,482	194	115,611

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

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

- (i) Includes activities for environmental remediation for mining operations performed in previous years by Paranapenema Group, the former owner of Taboca (Brazilian subsidiary), in Pitinga mine in Brazil. With the support of external specialists, Taboca updated the provision of environmental remediation of Pitinga and Pirapora units at December 31, 2017, by R\$130,744,000, equivalent to US\$39,487,000 (R\$143,555,000, equivalent to US\$44,127,000 as of December 31, 2016).
- (ii) It mainly includes activities for environmental restoration in Puno region for mining operations performed by the subsidiary Sillustani. This provision includes activities to improve drainage systems, water treatment, wetland rehabilitation Bofedal, among other works that shall be executed during the years 2017 to 2029.

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

- (iii) This obligation is related with restoration activities in explorations area of Mina Justa Project which is operated by the Subsidiary Marcobre S.A.C. and includes activities such as earthwork, revegetation and the dismantling of all facilities. This obligation is expected to be incurred between 2017 and 2018, according to environmental regulations.
- (d) Provision for contingencies -
This caption is made up of the following:

Brazilian subsidiary -

Includes claims for payments of severance indemnities of ex-workers by US\$2,642,000 (US\$2,412,000 as of December 31, 2016); sanctions imposed by the environmental agency of Amazonas Brazil by US\$696,000 (US\$660,000 as of December 31, 2016), and other minor contingencies by US\$1,350,000 (US\$172,000 as of December 31, 2016).

Peruvian subsidiary -

Includes environmental contingencies arising from processes filed by the Agency for Assessment and Environmental Control (OEFA) for US\$2,237,000 (US\$2,283,000 as of December 31, 2016).

16. Income Tax

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

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	As of January 1, 2016	Effect on profit or loss	Translation	Effect in other comprehen- sive income	As of December 31, 2016	Effect on profit or loss	Translation	Effect in other comprehen- sive income	As of December 31, 2017
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Deferred income tax assets									
Differences in accounting and tax basis of mining conc.	25,905	(171)	-	-	25,734	-	-	-	25,734
Tax benefits from acquisition of Taboca S.A.	19,941	1,070	4,397	-	25,408	-	-	(20,432)	4,976
Tax benefits from acquisition of Taboca S.A.	14,810	349	-	-	15,159	3,276	-	-	18,435
Differences in accounting and tax basis of fixed assets	8,140	5,755	-	-	13,895	28,793	-	-	42,688
Pre Operational	-	-	-	-	-	1,122	-	-	1,122
Others	10,051	4,443	(166)	-	14,328	942	-	-	15,270
	<u>78,847</u>	<u>11,446</u>	<u>4,231</u>	<u>-</u>	<u>94,524</u>	<u>34,133</u>	<u>-</u>	<u>(20,432)</u>	<u>108,225</u>
Deferred income tax liabilities									
Exchange difference of non-monetary items	(22,686)	4,106	-	-	(18,580)	6,682	-	-	(11,898)
Differences in accounting and tax basis of mining concess	(16,041)	(28)	-	-	(16,069)	(39,013)	-	-	(55,082)
Assets retirement costs	(7,536)	2,133	-	-	(5,403)	(1,695)	-	-	(7,098)
Development costs	(4,723)	(500)	-	-	(5,223)	898	-	-	(4,325)
Differences in accounting and tax basis of fixed assets	(1,818)	407	(371)	-	(1,782)	6,902	-	-	5,120
Differences in accounting and tax basis of inventories	(612)	219	-	-	(393)	(139)	-	-	(532)
Others	(675)	(282)	-	(739)	(1,696)	412	-	(844)	(2,128)
	<u>(54,091)</u>	<u>6,055</u>	<u>(371)</u>	<u>(739)</u>	<u>(49,146)</u>	<u>(25,953)</u>	<u>-</u>	<u>(844)</u>	<u>(75,943)</u>
Deferred income tax assets (liability), net	24,756	17,501	3,860	(739)	45,378	8,180	-	(21,276)	32,282
Mining royalties (MR) and Special mining tax (SMT)									
Deferred assets									
Differences in accounting and tax basis of fixed assets	1,874	1,477	-	-	3,351	761	-	-	4,112
Exploration expenses	1,135	220	-	-	1,355	(39)	-	-	1,316
	<u>3,009</u>	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>4,706</u>	<u>722</u>	<u>-</u>	<u>-</u>	<u>5,428</u>
Deferred liabilities									
Exchange difference for non-monetary items	(2,947)	409	-	-	(2,538)	771	-	-	(1,767)
Differences in accounting and tax basis of inventories	(131)	108	-	-	(23)	(16)	-	-	(39)
Embedded derivatives for sale of tin	-	-	-	-	-	(35)	-	-	(35)
	<u>(3,078)</u>	<u>517</u>	<u>-</u>	<u>-</u>	<u>(2,561)</u>	<u>720</u>	<u>-</u>	<u>-</u>	<u>(1,841)</u>
Deferred tax liability of MR and SMT, net	(69)	2,214	-	-	2,145	1,442	-	-	3,587
Total deferred income tax assets (liability), net	24,687	19,715	3,860	(739)	47,523	9,622	-	(21,276)	35,869

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

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Deferred income tax assets	91,601	85,795
Deferred income tax liability	(41,538)	(38,272)
	50,063	47,523

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

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Income tax		
Current	55,179	(55,312)
Deferred	(8,182)	17,501
	46,997	(37,811)
Mining royalties and special mining tax		
Current	17,509	(18,376)
Deferred	(1,442)	2,214
	16,067	(16,162)
Total of income tax	63,064	(53,973)

Deferred income tax on investments in associates -

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

- c) The reconciliation of the income tax expense (income) and the profit (loss) before taxes times the tax rate as of December 31, 2017 and 2016, is presented below:

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	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Profit (loss) before income tax	143,800	141,815
At statutory income tax rate	(16,887)	(36,960)
Effect of permanent differences, net	239	(12,736)
Provision of tax losses	(26,450)	(4,949)
Tax base update of fixed assets	-	(1,494)
Tax credit	(3,669)	(410)
Participation in results from associates	(10,006)	8,277
Translation (c)	4,852	4,336
Effect of mining royalties	5,165	5,145
Effect of rate change	-	924
Others	-	56
Adjustment of previous years	(241)	-
Income tax (expense) income	(46,997)	(37,811)
Mining royalties and special mining tax	(16,067)	16,162
Total	(63,064)	(21,649)

This expense arises from maintaining the US dollar as a functional currency for accounting purposes and soles for tax purposes. As of December 31, 2017, the variation of the exchange rate was S/3.360 to S/3.245 resulting in the aforementioned income, which does not imply a disbursement affecting the Group's cash flow.

17. Net Equity

(a) Capital Stock -

As of December 31, 2017 and 2016, the authorized subscribed and paid in capital, in accordance with the Company's Bylaws, as amended, is represented by 19,220,015 common shares, respectively, with a par value of S/.100.00 each.

(b) Investment Shares -

As of December 31, 2017 and 2016, this heading includes 960,999,163 investment shares, respectively, with a par value of S/.1.00 each.

Pursuant to the applicable legislation, investment shares vest in their holders the right to participate in dividend distribution, make contributions to maintain their existing proportion in the investment share account in case of capital increase by new contributions, increase the investment share account by capitalization of other equity accounts, redeem their shares in any cases provided by the Law, and participate in equity sharing of the net balance in the case of Company's liquidation. Investment shares do not grant access to the Board of Directors or to the General Shareholders' Meetings. The Company's investment shares are listed in the Lima Stock Exchange (BVL).

As of December 31, 2017 the average stock market price of these shares is S/.1.80 per share (and S/.1.45 per share as of December 31, 2016 with a frequency of negotiation of 80 percent).

(c) Legal Reserve -

The Peruvian General Corporation Law requires that a minimum of 10% of the distributable earnings for each period, after deducting the income tax, needs to be transferred to a legal reserve

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until such is equal to 20% of the capital. This legal reserve can offset losses or can be capitalized, in both cases there is the remaining the obligation to replenish it.

As of September 1, 2017, the Group increased its Legal Reserve by US\$551,000 corresponding to dividends not collected by its investment shareholders for periods of 2012 inclusive. This movement was carried out in accordance with the provisions of article 232 of the General Corporation Law; in this way, the balance of the Legal Reserve as of December 31, 2017 amounts to US\$120,812,000 (US\$120,260,000 as of December 31, 2016).

(d) Reinvested earnings -

As of December 31, 2017 and 2016, this balance comprises reinvested earnings approved in previous years in US\$39,985,000.

(e) Declared and paid dividends -

As of December 31, 2017 dividends declared and dividends paid amounted to US\$61,138,000.

(f) Cumulative translation adjustment -

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

As of December 31, 2017 the resulting exchange difference was a loss net of US\$13,640,000 (which includes a translation gain of US\$2,513,000 from Brazilian subsidiary, a translation gain of US\$10,718,000 from the associate Inversiones Cordillera del Sur Ltda. of Chile, and a translation gain of US\$409,000 for the other subsidiaries and associates). During 2016, the resulting translation result was a gain of US\$49,910,000 (which includes a translation gain of US\$40,238,000 from the Brazilian subsidiary, a translation loss 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). These exchange differences are included in the consolidated statement of comprehensive income.

18. Tax Situation

(a) Peruvian Tax -

The Group is subject to the Peruvian tax regime.

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

- A gradual reduction of the corporate income tax rate from 30% to 28% in 2015 and 2016; to 27% in 2017 and 2018; And to 26% in 2019 and future.
- A progressive increase in the rate applicable to the dividend tax from 4.1% to 6.8% in 2015 and 2016; to 8.0% in 2017 and 2018; and to 9.3% in 2019 and futures. These rates would apply to the distribution of profits to be made available in cash or in kind whichever occurs first, as of January 1, 2015.
- Accumulated results or other items capable of generating dividends, which were obtained up to December 31, 2014 and which form part of the dividends or any other form of distribution of profits, would be subject to a rate applicable to the dividend tax of 4.1%.

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

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- An income tax rate of 29.5% is set.
- A tax of 5% of the income tax is established to the dividends or any other form of distribution of profits. The rate applicable to dividends shall be considered taking into account the year in which the results or profits that form part of the distribution have been obtained, according to the following: 4.1% with respect to the results obtained until December 31, 2014; 6.8% with respect to the results obtained during the years 2015 and 2016; And 5% with respect to the results obtained from January 1, 2017.

(b) Tax Situation

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

Brazilian subsidiaries -

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of December 31, 2017 and 2016, the income tax rate is 34% of taxable income. Cash dividends in favor of non-domiciled shareholders are not taxed. The years open of review are from 2013 to 2017.

The tax loss carryforward determined by Mineração Taboca S.A. as of December 31, 2017 amounts to US\$447,053,000 (US\$427,003,000 as of December 31, 2016).

The tax loss does not expire according to Brazilian tax regime, but its offsetting is limited to 30% of the taxable income of each future period.

Peruvian subsidiaries -

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

As of December 31, 2017 and 2016, the tax losses of the Peruvian subsidiaries are as follow:

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Marcobre S.A.C.	205	16,734
Cumbres Andinas S.A.	2,762	2,860
Minera Sillustani S.A.C.	10,834	2,732
Compañía Minera Barbastro S.A.C.	10,884	1,323
Minera Latinoamericana S.A.C.	157	111

As of December 31, 2017, these subsidiaries have not recognized deferred income tax asset originated by the tax loss carryforward by US\$7,322,000 (US\$6,323,000 as of December 31, 2016), because management has no certainty about the future realization of such tax losses.

(c) Transfer pricing-

For the purposes of determining current income tax, the prices and amounts of those consideration that have been agreed upon in transactions between related parties or that are carried out from, to or through countries or territories of low or zero taxation, must have documentation and information to support the valuation methods and criteria applied in their determination. The Tax Administration is entitled to request this information from the Group.

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Based on the analysis of the Group's operations, Management and its legal advisors are of the opinion that, as a consequence of the application of these rules, no material contingencies will arise as of December 31, 2017 and 2016.

19. Net Sales

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

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Tin and other minerals	503,695	317,990
Gold	119,093	104,553
Niobium, tantalum and others	49,175	21,793
	<u>671,963</u>	<u>444,336</u>
Embedded derivative for sale of tin	652	1,250
Loss on derivative financial instruments	(514)	(1,536)
	<u>672,101</u>	<u>444,050</u>

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

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Tin and other minerals		
Europe	248,065	147,380
America	183,863	128,156
Asia	73,737	38,103
Brazil	41,946	22,113
Peru	5,259	4,031
Gold		
United States	97,819	72,343
Europe	21,274	32,210
	<u>671,963</u>	<u>444,336</u>
Embedded derivative for sale of tin	652	1,250
Loss on derivative financial instruments	(514)	(1,536)
	<u>672,101</u>	<u>444,050</u>

20. Cost of Sales

This item comprises the following:

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	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Opening balance of finished product inventory, note 7	18,898	19,754
Opening balance of product in process inventory, note 7	45,435	34,226
Opening balance mineral extracted, note 7	449	785
	<u>64,782</u>	<u>54,765</u>
Services rendered by third parties	113,565	105,248
Consumption of raw material and miscellaneous supplies	69,801	78,034
Wages and salaries	94,453	87,464
Depreciation	58,506	53,313
Purchase of mining services from AESA S.A.	30,319	32,608
Electricity	16,542	14,853
Purchase of explosives from Exsa S.A.	6,598	6,801
Amortization	9,902	6,696
Other manufacturing expenses	12,304	6,185
Allowance for obsolescence of materials and supplies, note 7 (c)	86	482
(Recovery) allowance for impairment of inventories, note 7 (b)	1,059	(1,281)
Production cost	<u>413,135</u>	<u>390,403</u>
Final balance of finished product inventory, note 7	(22,409)	(18,898)
Final balance of work in process inventory, note 7	(38,317)	(45,435)
Final balance mineral extracted, note 7	(3,829)	(449)
	<u>(64,555)</u>	<u>(64,782)</u>
Cost of sales	<u>413,362</u>	<u>380,386</u>

21. Administrative expenses

The composition of this caption is made up as follows:

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Personnel expenses	31,770	26,289
Services provided by third parties	9,137	9,794
Advice and consultancy	5,173	2,958
Other management charges	1,685	2,426
Depreciation	729	742
Supplies	79	37
Amortization	11	19
Total	<u>48,584</u>	<u>42,265</u>

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22. Sales Expenses

The composition of this caption is made up as follows:

	As of 12.31.2017	As of 12.31.2016
	US\$(000)	US\$(000)
Services provided by third parties	4,747	3,834
Personnel expenses	1,224	1,107
Other management charges	895	635
Sales commissions	133	440
Depreciation	3	7
Reversal of the estimation for doubtful accounts	-	(1,377)
Total	7,002	4,646

23. Other Operating Incomes

This item comprises the following:

	As of 12.31.2017	As of 12.31.2016
	\$(000)	\$(000)
Revenue for sale of shares, note 10 (c)	61,139	-
Reversal Rio Tinto and Shougan doubt	10,000	-
Revenue on sale of supplies and raw material	5,363	2,959
Refund of tax incentives (Taboca)	2,751	854
Reversal of provision for contingencies	1,451	449
Income for advisory services	1,439	1,474
Income for works by tax	1,219	-
Lease of property	1,057	1,054
Revenue from sale of property, plant and equipment	778	793
Insurance claim	277	-
Recovery provisions (Taboca)	-	1,503
Others	3,560	1,976
Total	89,034	11,062

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24. Other Operating Expenses

This item comprises the following:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Exploration expenses and project expenses		
Services provided by third parties	28,614	18,516
Personnel expenses	3,094	5,071
Purchase of mining services from AESA S.A.	2,505	1,600
Depreciation	1,939	1,176
Other management charges	1,822	1,496
Amortization	551	542
Supplies	420	263
	38,945	28,664
Other operating expenses		
Net cost of sale of shares	39,885	-
Cost of sale of supplies	5,033	2,374
Provision for environmental remediation and others	3,190	2,157
Provision for contingencies	2,953	1,754
Donations	2,625	1,407
Net cost of removal of property, plant and equipment	2,253	3,087
Depreciation	1,280	157
Contributions to public entities of environmental regulation	1,273	1,432
Works expenses for taxes	1,219	-
Mining retirement fund	924	987
Non-deductible expenses	274	-
Adjustment for physical inventory of supplies	177	2,250
Withdrawal of various credits	44	1,671
Taxes assumed for financial costs and other provisions	-	3,303
Compensation	-	1,689
Expense for temporary stop of the plant	-	385
Others	11,540	4,870
	72,670	27,523
Total others, net	111,615	56,187

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25. Financial Income and Costs

This item comprises the following:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Finance income:		
Interest on time deposits	3,619	1,971
Interest return tax	3,426	-
Hedge	2,033	-
Interests on certificates of deposit, note 9 (b)	709	1,912
Accretion	709	-
Dividends in shares, note 8 (d)	-	159
Dividends in cash, note 8 (d)	-	18
Others	6,076	1,165
Total	16,572	5,225
Finance costs:		
Interest on corporate bond	(28,125)	(28,125)
Loan expenses and interest	(9,842)	(7,687)
Amortization of issuance costs of corporate bond	(725)	(961)
Others	(3,884)	(1,046)
Interest expenses	(42,576)	(37,819)
Accretion	(2,540)	(13,462)
Total	(45,116)	(51,281)

26. Earnings per share (EPS)

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

The calculation of the earnings per share is presented below:

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	As of 12.31.2017 \$(000)	As of 12.31.2016 \$(000)
Numerator -		
Net Income (loss)	80,737	87,842
	<hr/>	<hr/>
	Number of stockshare	Number of stockshare
Denominator -		
Common stockshares, note 17(a)	19,220,015	19,220,015
Investment shares, note 17(b)	960,999,163	960,999,163
Profit (loss) per stockshare		
Basic diluted - US\$ per common share	2.800	3.047
Basic and diluted - US\$ per investment share	0.028	0.030

27. Commitments and contingencies

(a) Minsur -

(i) 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 Group have an approved EIA for their activities.

(ii) Law of Mine Closure in Peru -

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

As of December 31, 2017, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US\$62,482,000 (US\$51,353,000 as of December 31, 2016). See movement of this provision in note 15(b).

(b) Mineração Taboca S.A.-

In compliance with the current environmental regulations in Brazil, Taboca has recorded a provision for closure of operations of Pitinga unit for US\$52,936,000 as of December 31, 2017 (US\$47,830,000 as of December 31, 2016). See movement of this provision in note 15(b).

28. Contingencies

Peruvian entities -

- (a) As a result of the tax reviews made to the years from 2000 to 2010, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/101,046,000 (equivalent to US\$31,113,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are

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pending of resolution. Management and its legal advisors estimate that this appeal will be favorable resolved in the interests of the Group.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of December 31, 2017, the accumulated payments under protest amounted to US\$24,902,000 (US\$24,091,000 as of December 31, 2016). The Group will recognize these contingencies when its collection will be virtually certain. The Tax Court has notified the result of the legal process for the General Sales Tax for the 2005 fiscal year with results in favor of the Group, generating a refund, for this tax, of US\$1,871,000.

- (b) In the appeal presented by the Group to the tax authorities for the fiscal year 2002, the Group included a claim for income tax payments made in excess in such year for S/104,708,000 (equivalent to US\$32,267,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,847,142 shares of Union de Cervecerias Backus y Johnston S.A.A., occurred in July 2002. The Group will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Group.

- (c) Sanctioning administrative processes -

As of December 31, 2017, and prior years, the Group has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" for its acronym in spanish), National Authority of Water ("ANA" for its acronym in spanish) and OSINERGMIN, respectively. Such notifications are related to breaches of the procedures for the protection and conservation of the environment and the rules of mining health and safety. The administrative sanctions from OSINERGMIN, ANA and OEFA amounted to 225,001 tax units - TU. In relation to these notifications, the Group has appealed these sanctions, being currently pending of resolution.

Management and its legal counsels have analyzed these processes and they have estimated a contingency of US\$6,925,000 (US\$5,527,000 as of December 31, 2016), which is presented under "Provisions" in the Consolidated statements of financial situation (refer to note 15(a)).

Brazilian entities -

- (d) Lawsuit with Banco Santos

Mamoré, the subsidiary of Taboca, is involved in five lawsuits initiated by Banco Santos, Fund Basa de Investimento Financiero and Mellon Aroveredo Fundo de Investimento Multimercado Previdenciario (Mellon Aroveredo) in relation to an alleged failure to pay credit agreements originally signed with Banco Santos during the years 2005 to 2007. These eight claims include three lawsuits in which it is jointly involved with Mamoré, the former parent company Paranapanema. As of December 31, 2017, all these claims, in the opinion of the Group's and Management's legal advisors, the remaining claims have a risk of loss classified as possible and amount to approximately R\$88,891,000 (equivalent to approximately US\$26,846,000), R\$162,327,000 (equivalent to US\$49,898,000 as of December 31, 2016).

- (e) Civil, Labor and tax proceedings -

Taboca and its subsidiaries keeps civil, labor and tax processes that involve risk of potential losses according to the assessment made by management and its legal counsel, consequently for those possible contingencies were not made any provision which amount to R\$6,273,000, R\$15,930,000 and R\$23,611,000, respectively (equivalent to approximately US\$1,894,000, US\$4,811,000 and US\$7,131,000) as of December 31, 2017, (R\$5,049,000, R\$9,693,000 and R\$9,430,000, respectively (equivalent to approximately US\$1,552,000, US\$2,980,000 and US\$2,899,000) as of December 31, 2016).

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As of December 31, 2017, in opinion of management and its external legal counsel, the resolution of tax, labor, civil and other contingencies, classified as possible contingencies would not result in additional liabilities to those already recorded by the Group.

29. Related parties transactions

Receivable and payables -

The balances of receivables and payables with related entities are as follows:

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Receivable -		
Compañía Minera Raura S.A.	1,950	204
Rímac Seguros y Reaseguros	994	-
Administración de Empresas S.A.	244	93
Clinica Internacional S.A.	13	-
Others	67	7
	3,268	304

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Payable -		
Administración de Empresas S.A.	5,784	8,521
Exsa S.A.	856	1,123
Clínica Internacional S.A.	356	182
Inversiones San Borja S.A	243	176
Rímac S.A. Entidad Prestadora de Salud	158	15
Inversiones Nacionales de Turismo S.A.	37	11
Compañía Minera Raura S.A	32	-
Protección Personal S.A.C.	24	19
Estratégica S.A.C.	28	-
Centria Servicios Administrativos S.A.	24	18
Rímac Seguros y Reaseguros	22	40
Bodegas Viña de Oro	1	1
Corporación Peruana de Productos Químicos S.A.	-	9
Urbanizadora Jardín S.A.	-	10
Constructora AESA S.A.	-	49
	7,565	10,174

Balances payable to related companies have a current maturity, do not accrue interests and lacks specific securities

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30. Segmented Data

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

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

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the profit (loss) before tax for each business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income (loss) before income tax and is measured consistently with income (loss) in the consolidated statements of profit or loss.

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	Tin (Perú) US\$(000)	Gold (Perú) US\$(000)	Total (Perú) US\$(000)	Tin (Brasil) US\$(000)	Mining exploration (Perú) US\$(000)	Total Consolidated US\$(000)
As of December 31, 2017						
Results:						
Net sales from third parties	369,414	119,093	488,507	183,455	-	671,962
Embedded Derivate	545	-	545	107	-	652
Hedge	-	-	-	(514)	-	(514)
Cost of sales	(169,067)	(66,745)	(235,812)	(177,550)	-	(413,362)
Gross Margin	<u>200,892</u>	<u>52,348</u>	<u>253,240</u>	<u>5,498</u>	<u>-</u>	<u>258,738</u>
Operating Costs						
Administrative expenses	(22,732)	(9,077)	(31,809)	(12,436)	(4,339)	(48,584)
Selling expenses	(3,393)	(676)	(4,069)	(2,933)	-	(7,002)
Exploration costs	(26,190)	(1,788)	(27,978)	-	(10,967)	(38,945)
Other, net	8,271	3,303	11,574	(8,520)	7,282	10,336
Revaluation of assets	-	-	-	-	121,645	121,645
Impairment	-	-	-	(142,514)	-	(142,514)
Total operating expenses	<u>(44,044)</u>	<u>(8,238)</u>	<u>(52,282)</u>	<u>(166,403)</u>	<u>113,621</u>	<u>(105,064)</u>
Operating income (loss)	<u>156,848</u>	<u>44,110</u>	<u>200,958</u>	<u>(160,905)</u>	<u>113,621</u>	<u>153,674</u>
Depreciation y Amortization (included in costs y expenses)						
	(17,894)	(29,111)	(47,005)	(17,909)	(2,422)	(67,336)

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As of 31 December 2017

	Tin (Perú) US\$(000)	Gold (Perú) US\$(000)	Total (Perú) US\$(000)	Tin (Brasil) US\$(000)	Mining exploration (Perú) US\$(000)	Total Consolidated US\$(000)
As of December 31, 2016						
Results:						
Net sales from third parties	360,348	132,883	493,231	133,409	-	626,640
Embedded Derivate	216	-	216	(111)	-	105
Hedge	(4,247)	450	(3,797)	(5,900)	-	(9,697)
Cost of sales	(173,231)	(60,291)	(233,522)	(146,381)	-	(379,903)
Otros costos operacionales	(483)	-	(483)	-	-	(483)
Gross Margin	<u>182,603</u>	<u>73,042</u>	<u>255,645</u>	<u>(18,983)</u>	<u>-</u>	<u>236,662</u>
Operating Costs						
Administrative expenses	(20,617)	(7,156)	(27,773)	(11,778)	(2,714)	(42,265)
Selling expenses	(1,989)	(690)	(2,679)	(1,967)	-	(4,646)
Exploration costs	(11,224)	(3,896)	(15,120)	-	(13,544)	(28,664)
Other, net	(4,853)	(1,685)	(6,538)	(6,862)	(3,061)	(16,461)
Total operating expenses	<u>(38,683)</u>	<u>(13,427)</u>	<u>(52,110)</u>	<u>(20,607)</u>	<u>(19,319)</u>	<u>(92,036)</u>
Operating income (loss)	<u>143,920</u>	<u>59,615</u>	<u>203,535</u>	<u>(39,590)</u>	<u>(19,319)</u>	<u>144,626</u>
Depreciation y Amortization (included in costs y expenses)	(14,967)	(27,351)	(42,318)	(18,002)	(2,330)	(62,650)

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As of 31 December 2017

31. Financial asset and financial liabilities

	As of 12.31.2017 US\$(000)	As of 12.31.2016 US\$(000)
Financial assets at fair value		
Financial assets at fair value through profit or loss, note 9	37,117	6,072
Total financial assets at fair value	<u>37,117</u>	<u>6,072</u>
Available-for-sale investments:		
Mutual funds with public quotation	131,713	128,810
Certificates of deposit without public quotation	-	36,890
Investment certificate in the state	2,935	
Total inversiones disponibles para la venta	<u>134,648</u>	<u>165,700</u>
Financial assets embedded		
Embedded derivatives for sale of tin, note 32	600	-
Derivative financial instruments	315	-
Total financial assets embedded	<u>915</u>	<u>-</u>
Total financial assets	<u>172,680</u>	<u>171,772</u>
Financial liabilities		
Embedded derivatives for sale of tin, note 32	-	165
Derivative financial instruments	476	3,855
Total financial liabilities	<u>476</u>	<u>4,020</u>

Financial assets –

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

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

Financial liabilities -

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

32. Derivative financial Instruments

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

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b) Embedded derivative for sale of tin -

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

Embedded derivatives as of December 31, 2017 and 2016:

Metal	Quantity	Quotations period	Valuations		Fair
			Provisional US\$(000)	Futures US\$(000)	value US\$(000)
As of December 31, 2017					
Sale of mineral					
Tin (Perú)	860 TM	Jan/Feb 2018	15,324	15,821	497
Tin (Brazil)	100 TM	Jan/2018	3,484	3,587	103
Total net asset					600
As of December 31, 2016					
Sale of mineral					
Tin (Perú)	1,080 TM	Jan/Feb 2017	23,371	23,324	(47)
Tin (Brazil)	175 TM	Dec 2016	2,817	2,699	(118)
Total net liability					(165)