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

Minsur S.A. and Subsidiaries

Consolidated financial statements as of December 31, 2017 and 2016, together with the Independent Auditors' Report

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

Minsur S.A. and Subsidiaries

Consolidated financial statements as of December 31, 2017 and 2016, together with the Report of the Independent Auditors

Content

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

Independent Auditors' Report

To the Shareholders of Minsur S.A. and Subsidiaries

We have audited the accompanying consolidated financial statements of Minsur S.A. (a Peruvian entity, subsidiary of Inversiones Breca S.A.) and Subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of profit or loss, other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information (see attached notes 1 to 36).

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Independent Auditors' Report (continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Minsur S.A. and Subsidiaries as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

Lima, Peru,
March 21, 2018

Paredes, Burga & Asociados

Countersigned by:

Raul Del Pozo
C.P.C.C. Register No.22311

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

Minsur S.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2017 and 2016

	Note	2017 US$(000)	2016 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	240,481	272,357
Other financial assets	6	160,444	111,159
Trade and other receivables, net	7	103,423	98,937
Derivative financial instruments	33	315	394
Inventory, net	8	110,078	100,215
Embedded derivatives for sale of tin	35	601	-
Available-for-sale financial investments	9	2,935	36,890
Available-for-sale financial assets		3,168	3,270
Financial assets at fair value through profit or loss	10	37,117	6,072
Income tax prepayments		345	338
Other assets		1,965	2,140
		660,872	631,772
Non-current assets			
Trade and other receivables, net	7	62,702	53,664
Available-for-sale financial investments	9	131,713	128,810
Investments in associates	11	303,307	345,523
Property, plant and equipment, net	12	508,558	525,934
Intangible assets, net	13	465,901	390,688
Deferred income tax assets, net	18	136,744	85,795
Income tax prepayments		4	182
Other assets		-	1
		1,608,929	1,530,597
Total assets		2,269,801	2,162,369
Current liabilities			
Current interest-bearing loans and borrowings	16	69,882	106,781
Trade and other payables	15	151,385	141,798
Derivative financial instruments	33	476	5,487
Income tax payable		4,354	9,319
Current provisions	17	23,690	33,959
Embedded derivatives for sale of tin	35	-	165
		249,787	297,509
Non–current liabilities			
Trade and other payables	15	31,641	39,450
Non-current interest-bearing loans and borrowings	16	520,252	444,730
Non-current provisions	17	160,948	146,470
Deferred income tax liabilities, net	18	102,189	38,272
		815,030	668,922
Total liabilities		1,064,817	966,431
Equity	19		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Reinvested earnings		39,985	39,985
Other reserves		13,687	36,481
Facultative reserves		424	424
Cumulative translation reserve		(166,977)	(174,543)
Unrealized results		4,628	(380)
Retained earnings		290,903	271,616
Equity attributable to equity holders of the parent		1,204,814	1,195,747
Non-controlling interests		170	191
Total equity		1,204,984	1,195,938
Total liabilities and equity		2,269,801	2,162,369

The accompanying notes are an integral part of this statement.

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

Minsur S.A. and Subsidiaries

Consolidated statements of profit or loss

For the years ended December 31, 2017 and 2016

	Note	2017 US$(000)	2016 US$(000)
Net sales	21	672,101	617,048
Cost of sales	22	(413,362)	(380,386)
Gross profit		258,739	236,662
Operating expenses:			
Administrative expenses	23	(48,590)	(42,265)
Selling expenses	24	(7,036)	(4,646)
Exploration and evaluation expenses	25	(38,945)	(28,664)
Impairment loss	14	(26,910)	-
Other expenses, net	26	16,226	(16,461)
Total operating expenses		(105,255)	(92,036)
Operating income		153,484	144,626
Other income (expenses):			
Finance income	27	13,824	5,048
Finance costs	27	(43,369)	(51,281)
Gain from investment in associates, net	11(b)	13,002	29,559
Loss from financial assets at fair value through profit or loss	10(b)	9,837	(358)
Dividends income	10(c)	315	177
Exchange difference, net		(3,470)	14,044
Total other expenses, net		(9,861)	(2,811)
Profit before income tax		143,623	141,815
Income tax	18(b)	(63,143)	(53,973)
Profit for the year		80,480	87,842
Attributable to:			
Equity holders of the parent		80,481	87,849
Non-controlling interests		(1)	(7)
Profit for the year		80,480	87,842
Earnings per share stated in U.S. dollar (basic and diluted) attributable to:			
Common shares	28	2.79	3.05
Investment shares	28	0.03	0.03

The accompanying notes are an integral part of this statement.

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

Minsur S.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2017 and 2016

	Note	2017 US$(000)	2016 US$(000)
Profit for the year		80,480	87,842
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation	19(g)	7,566	49,910
Unrealized results of investments		5,852	16,307
Income tax	18(a)	(844)	(739)
Others		-	222
Other comprehensive income for the year		12,574	65,700
Total comprehensive income for the year, net of income year		93,054	153,542
Total comprehensive income attributable to:			
Equity holders of the parent		93,055	153,549
Non-controlling interests		(1)	(7)
		93,054	153,542

The accompanying notes are an integral part of this statement.

Minsur S.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2017 and 2016

	Note	Capital stock US$(000)	Investment shares US$(000)	Legal reserve US$(000)	Reinvested earnings US$(000)	Other reserves US$(000)	Facultative reserves US$(000)	Cumulative translation reserve US$(000)	Unrealized results US$(000)	Retained earnings US$(000)	Total attributable to equity holders of the parent US$(000)	Non - controlling interests equity US$(000)	Total US$(000)
Balance as of January 1, 2016		601,269	300,634	120,261	39,985	46,331	424	(224,453)	(15,948)	183,545	1,052,048	62,868	1,114,916
Profit for the year		-	-	-	-	-	-	-	-	87,849	87,849	(7)	87,842
Other comprehensive income for the year		-	-	-	-	-	-	49,910	15,568	222	65,700	-	65,700
Total other comprehensive income for the year		-	-	-	-	-	-	49,910	15,568	88,071	153,549	(7)	153,542
Transactions with former shareholder of a subsidiary (Marcobre)	1(c),19(f)	-	-	-	-	(9,850)	-	-	-	-	(9,850)	(62,670)	(72,520)
Balance as of December 31, 2016		601,269	300,634	120,261	39,985	36,481	424	(174,543)	(380)	271,616	1,195,747	191	1,195,938
Profit for the year		-	-	-	-	-	-	-	-	80,481	80,481	(1)	80,480
Other comprehensive income for the year		-	-	-	-	-	-	7,566	5,008	-	12,574	-	12,574
Total other comprehensive income for the year		-	-	-	-	-	-	7,566	5,008	80,481	93,055	(1)	93,054
Dividends distribution	19(e)	-	-	-	-	-	-	-	-	(61,138)	(61,138)	-	(61,138)
Decrease of tax credit from Mineracao Taboca	19(f)	-	-	-	-	(23,345)	-	-	-	-	(23,345)	-	(23,345)
Capitalization of unpaid dividends	19(f)	-	-	-	-	551	-	-	-	-	551	-	551
Corporate reorganization	1(c)	-	-	-	-	-	-	-	-	102	102	-	102
Other results		-	-	-	-	-	-	-	-	(158)	(158)	(20)	(178)
Balance as of December 31, 2017		601,269	300,634	120,261	39,985	13,687	424	(166,977)	4,628	290,903	1,204,814	170	1,204,984

The accompanying notes are an integral part of this statement.

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

Minsur S.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2017 and 2016

	Note	2017	2016
		US$(000)	US$(000)
Operating activities			
Collections from customers		673,435	616,764
Payments to suppliers		(291,396)	(277,342)
Payroll and social benefit payments		(129,703)	(104,005)
Payments of income and other taxes		(103,052)	(72,254)
Interests paid		(37,862)	(31,463)
Payments of derivative financial instruments		(17,176)	(6,301)
Interest received		8,456	2,460
Restricted funds		897	5,346
Other receipts (payments) related to the activity, net		(10,377)	11,776
Net cash flows provided by operating activities		93,222	144,981
Investing activities			
Opening of time deposits with original maturities greater than 90 days	6(a)	(160,444)	(111,159)
Payments for purchase of property, plant and equipment	12(a)	(132,502)	(103,788)
Payments for purchase of intangible assets	13(a)	(31,219)	(23,940)
Opening of certificate state deposits	9(b)	(2,935)	-
Closing of deposits with a term greater than 90 days	6(a)	111,159	-
Disposal of investment in associate	26	63,714	-
Collections from settlement of available-for-sale financial investments	9(a)	37,557	31,256
Dividends from investments in associates	10(c) and 11(c)	2,566	2,062
Proceeds from sale of property, plant and equipment	26	779	793
Net cash flows used in investing activities		(111,325)	(204,776)
Financing activities			
Obtaining interest-bearing loans and borrowings	16(b)	214,056	96,353
Payments to interest-bearing loans and borrowings	16(b)	(166,671)	(98,268)
Dividends paid	19(e)	(61,138)	-
Contribution of non-controlling interests		-	3,000
Purchase of non-controlling interests	1(c.3)	-	(60,000)
Net cash flows used in financing activities		(13,753)	(58,915)
Net decrease in cash and cash equivalents		(31,856)	(118,710)
Net exchange difference		(20)	212
Cash and cash equivalents at beginning of year		272,357	390,855
Cash and cash equivalents at year end	6(a)	240,481	272,357
Transactions with no effects in cash flows:			
Increase in provision for closure mine	12(a)	16,695	10,766
Accounts payable for acquisition of non-controlling interest	1(c.3)	673	15,760
Increase due to financing operations for suppliers	16(a)	3,772	-
Recognition of future payment commitments	15(d)	(7,000)	10,000
Capitalized depreciation as development costs	12	285	-

The accompanying notes are an integral part of this statement.

1. **Corporate information**

(a) Identification -

Minsur S.A. (hereinafter "the Company") was incorporated in Peru in October 1977. The activities of the Company are regulated by the Peruvian General Mining Law. The Company is a subsidiary of Inversiones Breca S.A. domiciled in Peru, which holds 99.99 percent of the Company's common shares and 6.31 percent of its investment shares. The Company's registered address is Jirón 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 3(e), 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.C., the Company hold shares in Marcobre S.A.C., a mining company that is in the exploration and definition stage (the definition stage begins once the feasibility of the mining project is approved).

Likewise, through its subsidiary Cumbres del Sur S.A.C., the Company holds investments in Minera Sillustani S.A.C., and Compañía Minera Barbastro S.A.C., mining companies that are in the stage of exploration and evaluation of mineral resources.

As of December 31, 2017, the Group is developing the following projects:

(b.1) Mina Justa project

Through its subsidiary Marcobre S.A.C. is developing the Mina Justa copper mining project, whose estimated investment amount is US$1,500 million and have an estimated average annual production of 162,000 tons of copper concentrate and 42,000 tons of copper cathodes, which is expected to be achieved from 2020 or beginning of 2021. During 2017, disbursements were made for approximately US$51,053,000, which were mainly destined to the definition phase (which mainly includes the approval of feasibility).

The Board approved a budget of US$181,150,000 for the Mina Justa project for the months from January to July 2018.

(b.2) Tin tailings project B2
During 2017, Minsur S.A. started the process of development of the tin tailings project B2 located in San Rafael Mine whose estimated investment amounts to US$195 million, which consists in extracting tin from an old tailings through a production process to be carried out in the future plant of reuse of tailings. The start of production is estimated for 2019. During the year, the Company made disbursements for approximately US$14,541,000, which were mainly destined to the improvement of the dike 2.5, construction of the "Isamill" mill and engineering services.

(c) Corporate reorganization -

(c.1) Merger of Marcobre S.A.C. with its parents CA Resources S.A.C. and subsidiaries
in the General Shareholders' Meeting of Marcobre S.A.C. celebrated at 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 companies that owned shares of Marcobre S.A.C. 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 Marcobre S.A.C. considering that 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) Partial spin-off of Cumbres Andinas S.A.C. -
The General Shareholders' Meeting held on December 21, 2017, approved the spin-off equity block from Cumbres Andinas S.A.C. (hereinafter the "equity block") related to assets and liabilities of the subsidiaries Minera Sillustani S.A.C and Compañía Minera Barbastro S.A.C. This spin-off had an effective date of December 30, 2017, and the book value of the equity block transferred was S/49,374,000 (equivalent to US$15,216,000). Likewise, the new company (Cumbres del Sur S.A.C.) issued shares that were gave to the shareholders of Cumbres Andinas in the same proportion that they have in the latter as of the effective date of the spin-off.

This spin-off had no impact on the consolidated financial statements.

(c.3) Purchase of non-controlling interest -
On September 23, 2016, through its subsidiary Cumbres Andinas S.A., the Group acquired the non-controlling interest of Marcobre S.A.C. (Marcobre) which represented 30 percent of its capital stock belonging to KLS Limited, obtaining the control of 100 percent 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, the form of payment being as follows: initial of US$60,000,000 through a deposit in an escrow account which was freely available to the seller after it determined before the Tax Administration the tax impact of the transaction, and the remaining balance of US$25,000,000 will be paid in five annual installments of US$5,000,000 each, whichever comes first between: (a) 10 business days after the start of commercial production of the Mina Justa project, or (b) on September 30, 2023; the present value of the liability of US$25,000,000 amounts to US$16,433,000 (US$15,760,000 as of December 31, 2016), see note 15 (a).

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

	Equity interest			
	December 31, 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:				
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 United States:				
Minsur USA Inc. (**)	-	-	-	99.99

	Equity interest			
	December 31, 2017		December 31, 2016	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Peru:				
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.C.	99.98	-	99.98	-
Cumbres del Sur S.A.C.	99.98	-	-	-
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

(*) Through these entities, the Company had an indirect interest in the subsidiary Marcobre S.A.C. which were absorbed by Marcobre S.A.C, see note 1(c).

(**) Minsur USA has not been carrying out operations. On March 2, 2017, the Universal Shareholders and Board Meeting approved the liquidation of Minsur USA.

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.

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

- Minsur U.S.A. Inc. -
  Minsur USA has not been carrying out operations. On March 2, 2017, the Universal Shareholders and Board Meeting approved the liquidation of Minsur S.A.

- 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.C. -
  Currently, the activities of this subsidiary are limited to the holding of shares in mining company Marcobre S.A.C. mining sector company that is in the stage feasibility and definition begins once approved the feasibility of the project.

- Cumbres del Sur S.A.C. -
  The corporate purpose of this subsidiary is the exploration and exploitation of mining rights and, in general, any other activities directly or indirectly included in the mining activity. Currently, the activities of this subsidiary are limited to investment in mining companies in the exploration stage (Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C.).

- 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 Tinyacclla, district of Huando, in the Huancavelica region.

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

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

(e) Approval of consolidated financial statements –
These consolidated financial statements as of December 31, 2017 and for the year then ended were authorized for issue by Management on March 21, 2018. In Management's opinion, these consolidated financial statements will be approved without changes by the Board of Directors' to be held during the first quarter of 2018.

The consolidated financial statements as of December 31, 2016 and for the year then ended were approved by the Shareholders' Meeting on March 29, 2017.

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.

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 percent, 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.

All assets and liabilities, equity, income, expenses and cash flows related to transactions between the parties of the Group are totally eliminated in the consolidation. A change in the participation of a subsidiary without loss of control is accounted for as an equity transaction.

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

2.3. Change in accounting policies and disclosure -

Certain standards and amendments were in force for the annual periods beginning on January 1, 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. Other modifications have been applied for the first time in 2017. However, these have not had an impact on the Group's consolidated financial statements, therefore, they have not been disclosed. The amendments to IAS 7 "Statement of Cash Flows" and IAS 12 "Income tax: Recognition of a deferred asset for income tax for unrealized losses" have not had a material impact on the consolidated financial statements of the Group. Except as described above, the accounting policies used are consistent with those used in previous years.

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.

For presentation purposes in the consolidated statement of cash flows, cash and cash equivalents include cash, term deposits and highly liquid investments, whose original maturity is three months or less.

Those term deposits and investments whose original maturity is greater than three months will be presented in the caption "Other financial assets" of the consolidated statement of financial position.

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

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

(i) Financial assets -

Initial recognition and measurement

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

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

Subsequent measurement -

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

- Financial assets at fair value through profit or loss.
- Loans and receivables.

- Held-to-maturity investments.
- Available-for-sale financial investments.

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

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

The Group has classified certain investments as financial assets at fair value through profit or loss, see Note 10.

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

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

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

Held-to-maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

The Group did not have any held-to-maturity investments during the years ended December 31, 2017 and 2016.

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 part of a group of similar financial assets) is primarily derecognized when:

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

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

(ii) Impairment of financial assets -

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

Financial assets carried at amortized cost

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

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

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

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The concept "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 finance income. If in the future, the fair value of the debt instrument increases and the increase can be objectively related to an event after the loss recognition in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

(iii) Financial liabilities -

Initial recognition and measurement –

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

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

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

Subsequent measurement -

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

Financial liabilities at fair value through profit or loss -

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

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

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

Loans and borrowings -

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

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

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

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

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

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

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

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

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

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

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

(c) Foreign currency translation -

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

Transactions and balances -

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

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

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

The financial statements of the foreign subsidiaries are stated in the functional currency (Soles for Minera Sillustani S.A.C and Compañía Minera Barbastro S.A.C., Chilean pesos for Minera Andes del Sur S.P.A., and Brazilian Reales for Mineração Taboca S.A. and 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 exchange rate for sales, in the cases when the exchange rate does not approach to the exchange rate of the transactions, the Group use the exchange rate of transaction. The exchange differences arising on translation are recognized in other comprehensive income the consolidated statements of other comprehensive income.

Translation of financial statement of forging associate intro U.S. dollars -

In the determination of the equity method of some companies whose (Inversiones Cordillera del Sur Ltda. which prepare their financial statements in Chilean pesos and Futura Consorcio Inmobiliario S.A., which prepare their financial statements in soles) functional currency is different from the functional currency of the Group calculates a translation result, which is the result of the translation of the balances at each closing date. The differences generated are shown in other comprehensive income of the consolidated statement of 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.

Investments in associates are recorded using the equity method.

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

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

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

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

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

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

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

(f) Property, plant and equipment -

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

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

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

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

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

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

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

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

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

(g) Leases -

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

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

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

Finance leases -

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

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

Operating leases -

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

(h) Mining concessions -

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

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

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

(i) Exploration and evaluation expenditure -

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

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

(j) Development costs -

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

Development costs activities include:

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

Development costs necessary to maintain production are charged to the cost of production 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. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized and their accounting treatment is as explained in point (j) above.

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

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

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

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

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

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

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 assigned, 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 25 years).

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

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

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

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

(n) Provisions -

General –

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

Provision for closure of mining units -

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

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

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

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

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

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

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

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

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

Metal sales-
Sales of metallic tin and gold are recognized when the significant risks and benefits are transferred to the buyer, which happens at the time of the delivery of goods according to the contractual conditions.

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.

Sale of assets -
Income and cost from the sale of assets such as the sale of property, plant and equipment, intangible assets, investments in subsidiaries and associates are recognized as part of income and operating expenses in the consolidated statement 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) Financing costs -
The financing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalized as part of the cost of an asset. A qualified asset is one that requires a period of time greater than 12 months to be ready for its expected use and represents an investment of more than US$5,000,000. All other financing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Financing costs include interest and other costs incurred by the Group when obtaining financing.

(r) Taxes –

Current income tax -

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

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

Deferred income tax -

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

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

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

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

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

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

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

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

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

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

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

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

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

(s) Derivative financial instruments and hedge accounting –

Initial recognition and subsequent measurement -

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

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

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

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

(t) 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 Group 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 significant judgments, estimates and assumptions. 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.

These include:

Judgments:
- Contingencies (note 3.1 (a))
- Start date of the development stage (note 3.1 (b))
- Recovery of deferred income tax asset related to the provision for mine closure (note 3.1 (c))
- Stripping costs (clearing costs) (note 3.1 (d))
- Recognition of the investment in Inversiones Cordillera del Sur I Ltda. (Note 3.1 (e))

Estimates and assumptions:
- Determination of reserves and resources (note 3.2 (a))
- Unit of production method (UOP) (note 3.2 (b))
- Recovery of deferred tax assets (note 3.2 (c))
- Provision for closure of mining units (note 3.2 (d))
- Determination of the net realization value of inventories (note 3.2 (e))
- Impairment of non-financial assets (note 3.2 (f))
- Taxes (note 3.2 (g))
- Determination of the cost of products in process (note 3.2 (h))
- Obsolescence of materials and supplies (note 3.2 (i))
- Recovery of the Value added tax (note 3.2 (j))

3.1. Judgments

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

(a) Contingencies -

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

(b) Start date of development stage –

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

(c) Recovery of the deferred income tax asset related to the provision for closing the mining unit -

The Group has recognized a deferred income tax asset related to the provision for the closure of mining units, including the part related to mine closure disbursements that will be made after the closure of the same, which Management estimates will be applied in its entirety to the future taxable income that will be generated from the operations of the refining unit in Pisco.

(d) Waste removal costs (stripping costs) -

The Group incurs in waste removal costs during the production phases of its open pit mine. During the production phase, the costs of stripping (costs of clearing production) can be related to the production of inventories in that period and/or the development of better access and operational flexibility in relation to the mining of ore that is expect to extract in the future. The first are included as part of the production costs of inventories, while the second are capitalized as a separate asset by stripping, when certain criteria are met.

Once the cost of stripping has been identified, it is necessary to identify the different components of the ore bodies in order to accumulate the costs for each component and amortize them based on their respective useful lives. An identifiable component is a specific volume of the deposit that is made more accessible by the stripping activity. An in-depth evaluation is needed to identify and define these components, as well as to determine the expected volumes (for example, tons) of stripping to be exploited and ore extracted in each of these components.

The Group's Management considers that due to the short term of the operation of the open pit operated by the Group (maximum 6 years) and according to the operational planning of the mining unit the mineral waste ratio is very similar in the years of operation of the mining unit, the costs of stripping incurred in each year of operation are directly related to the mineral produced in the same year. As a consequence, all movement costs of sterile material are charged directly to the production cost of the year in which the movement of the sterile material took place.

(e) Recognition of investment in Inversiones Cordillera del Sur I Ltda. -
On January 29, 2015, the subsidiary Minera Latinoamericana S.A.C. subscribed with its related party Inversiones Breca S.A., (hereinafter "Breca") a shareholder agreement by which it was agreed that Breca (minority shareholder of Inversiones Cordillera del Sur I Ltda., hereinafter "Cordillera") would direct all relevant activities of Cordillera since 2015. In accordance with IFRS 10 "Consolidated financial statements", when a loss of control of a subsidiary occurs, the parent company ceases to consolidate the financial information of the subsidiary as of the date on which the loss of control of the subsidiary is produced, and records the investment in that entity as an associate. However, IFRS do not contemplate the accounting treatment in transactions between entities under common control. In this sense, the Management decided, not to consolidate the investment in Cordillera.

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

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

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

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

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

(c) Recovery of deferred tax assets -
Judgment is required to determine whether deferred tax assets should be recognized in the consolidated statement of financial position. Deferred tax assets, including those generated by unused tax losses, require Management to evaluate the probability that the Group generates sufficient taxable profits in future periods to use the recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These estimates of future taxable income are based on projections of operating cash flows and judgments about the application of current tax laws. To the extent that the future cash flows and taxable income differ significantly from the estimates, the Group's ability to realize the net deferred tax assets recorded at the reporting date could be affected.

(d) Mine rehabilitation provision –
The Group assesses its mine rehabilitation provision at each reporting date using a discounted future cash flow model. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates and in the periods in which it is expected that such costs will be incurred. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents Management’s best estimate of the present value of the future rehabilitation costs required.

(e) 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.

(f) 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.

(g) 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.

(h) Determination of the cost of products in process gold –
The leaching ore deposits contain the material extracted from the pit and have a 60-day termination cycle, which are monitored through a stacking control at the cell level, this solution is filtered through pipes and is accumulated in the PLS pool, the quantities in this area is obtained by using a graduated rule drawn on the geomembrane of the PLS Pit.

The rich solution of the PLS well is pumped to two lines of adsorption tanks. The first line consists of six in-line pressurized absorption tanks which were previously charged with carbon, which has the property of absorbing the gold. The second is five cascade absorption tanks that are also fed with carbon. To each of the mentioned tanks a balance is made for each column, which takes the flow that enters, the grade that enters and the grade that comes out through samplers, is multiplied by the volume and accumulated ounces are obtained, the difference being what remains in the columns with the carbon. Each circuit has flow meters with daily maintenance according to the Integrated Management System program, the control of these quantities is monitored through daily operational reports.

Afterwards, the process stops being continuous to go through a process of desorption, monitoring the gold that is deposited, in this phase the Group manages a recovery ratio of 98.38 percent, the remaining gold remains in the carbon which is recirculated to the process through a chemical and thermal regeneration leaving it ready to return to the circuit.

The processes and the recovery ratio are constantly monitored, and the estimated recovery rates are adjusted periodically as additional information becomes available and considering technological changes.

(i) Obsolescence of materials and supplies -

The allowance for obsolescence of materials and supplies is determined based on an analysis carried out annually by the Group Management, which considers the obsolete and slow-moving items, and is charged to the consolidated statement of profit or loss in the year in which it is determined the need for such allowance.

(j) Recovery of the Value added tax -

The Group Management considers that the tax credit for non-current value added tax will be applied when offsetting it with the value added tax payable that will be generated by future sales made by its subsidiaries (Minera Sillustani S.A.C. and Compañía Minera Barbastro S.A.C.). In the case of the subsidiary Marcobre S.A.C., if there is a credit balance of the value added tax, its refund or compensation will be requested under the balance in favor of the exporter regime on the basis of export sales. In the case of Marcobre S.A.C., this subsidiary is carrying out feasibility and development activities, so this balance will be recovered in the long term once it starts its production operations. On an annual basis, the Group's management evaluates the feasibility of the development of the project that is being carried out and that the possibility of recovering this tax credit is considered probable. Otherwise, an impairment will be recorded.

4. **Standards issued but not yet effective**

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

IFRS 9 "Financial Instruments"

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

In general, the Group does not expect a significant impact on its consolidated statement of financial position or on its equity as result of the adoption of IFRS 9; however, the following changes will be presented:

(a) Current Classification and measurement

As described in the section related to IFRS 15, some of the tin metal sales of the Group contain provisional pricing characteristics. Currently, these sales with provisional prices contain an implicit derivative separate from the host contract (account receivable in accordance with IAS 39). Consequently, the embedded derivative is recognized at fair value through profit or loss in each period until the final settlement, and is presented as part of the revenue. The initial estimate of the fair value and subsequent changes in the fair value during the quotation period ("QP"), and until the final settlement, are estimated by reference to the future market prices.

(b) Classification and measurement reviewed -

According to IFRS 9, the embedded derivative will no longer be separated from accounts receivable for tin metal sales, therefore, accounts receivable will be accounted for as an instrument and measured at fair value through profit or loss as part of the revenue. The fair value of the account receivable will not only include changes in the price of the product, but also take into account the impact of the credit risk and the interest rate.

For the other accounts receivable, the Group analyzed the contractual characteristics of the cash flows of these instruments and concluded that they meet the measurement criteria at amortized cost according to IFRS 9, therefore reclassification is not required for these instruments.

With respect to financial assets at fair value through profit or loss, financial assets available for sale, the Group is in the process of concluding the analysis of its classification. Derivative financial assets recorded at their fair value through profit or loss will maintain their current classification.

(c) Impairment -
Given the short-term nature of these accounts receivable, the Group does not expect that the changes in the impairment calculation of accounts receivable will have a significant impact.

(d) Hedge accounting
The changes in IFRS 9 related to hedge accounting will not have a significant impact on the Group.

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.

During 2017, the Group made a detailed diagnosis of IFRS 15. The key issues identified, and the opinions and views of the Group, are detailed below. These are based on the Group's current interpretation of IFRS 15 and may be subject to change as the interpretations evolve more generally. In addition, the Group is considering and will continue to monitor any further development.

To date, the Group has identified the following issues that require analysis:

(a) Sales at provisional prices
As mentioned above, some tin metal sales of the Group contain provisional pricing characteristics that are currently considered as embedded derivatives. According to IFRS 15, revenues from the host contract will be recognized when the control passes to the customer, that is, when the tin metal passes on board the vessel and will be measured by the amount that the Group expects to be entitled to, that is, the estimate of the price that is expected to be received at the end of the quotation period (QP), that is, using the most recent estimate of metallic tin (based on the initial results of the test) and the estimated forward price (which is consistent with the current practice).

Consequently, at the moment when the metallic tin passes on board the vessel, the Group will recognize an account receivable that will be recognized in accordance with IFRS 9.

With respect to the presentation of amounts arising from such contracts with provisional prices, IFRS 15 requires that "revenue from contracts with customers" be presented separately from other types of revenue. As the Group currently discloses movements in the embedded derivative in the revenue, this requirement will have no impact.

(b) Impact of the shipping terms
The Group sells a significant portion of its tin metal using the CFR and CIF incoterms. This means that the Group is responsible for the freight services after the date on which the control of the tin metal passes to the customer at the loading port, that is, when it crosses the edge of the ship. Under IFRS 15, the freight service in this type of agreement is a separate performance obligation to which a portion of the transaction price will be assigned and recognized as the freight services are rendered. The impact of these changes includes: deferral of income and disaggregated disclosures.

The Group has determined that the general impact of the recognition of the revenue will not be significant and, consequently, this revenue will not be presented separately.

(c) Other presentation and disclosure requirements
IFRS 15 contains other presentation and disclosure requirements that are more detailed than current IFRSs. In 2017, the Group was testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 16 "Leases"
IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determination of whether an Agreement contains a lease, SIC-15 Operating Lease-Incentives and SIC-27 Evaluation of the essence of transactions that adopt the legal form of a lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model on the statement of financial position similar to the accounting for finance leases in accordance with IAS 17. The standard includes two recognition exemption for lessees: lessees of "low value" assets (eg, personal computers); and short-term leases (that is, leases with a lease term of 12 months or less). On the start date of a lease, the lessee will recognize a liability for making lease payments (ie, the lease liability) and an asset that represents the right to use the underlying asset during the lease term (ie, the asset of the right of use). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group is currently evaluating the impact of IFRS 16 on its consolidated financial statements and expects to adopt this new standard on the required date of its entry into force.

IFRIC 23, "Uncertainty about the Treatment of Income Taxes"
Effective as of January 1, 2019, this standard establishes how to determine the accounting tax position when there is uncertainty about the treatment of income taxes that affects the application of IAS 12. Management is currently evaluating the impact of this rule on its financial reports and disclosures.

5. Transactions in foreign currency

As of December 31, 2017 and 2016, the Group had assets and liabilities in soles, brazilian reales and euros. Below is a breakdown of these assets and liabilities presented by their equivalent in U.S. dollars:

	2017	2016
	US$(000)	US$(000)
Assets		
Cash and cash equivalents	1,240	1,804
Trade and other receivables, net (include non-current portion)	77,025	65,268
Available for sale financial assets	2,935	-
Income tax prepayments	345	520
	81,545	67,592
Liabilities		
Trade and other payables (include non-current portion)	(92,787)	(74,351)
Financial obligation (include non-current portion)	(4,044)	(33,193)
Income tax liabilities	(4,354)	(9,319)
	(101,185)	(116,863)
Net liabilities position	(19,640)	(49,271)

As of December 31, 2017 and 2016, the Group had no financial instruments to hedge its foreign currency risk.

6. Cash and cash equivalents

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

	2017	2016
	US$(000)	US$(000)
Cash on hand and petty cash	10	15
Cash demand deposits (b)	34,381	17,913
Overnight deposits (c)	101,377	63,819
Time deposits (d)	103,818	189,822
Certificates of bank deposits (e)	895	788
Balance considered in the consolidated statements of cash flow	240,481	272,357
Time deposits with original maturities greater than 90 days	160,444	111,159
	400,925	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 and generate interest at market rates.

(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, and were settled in January 2018 and 2017, respectively.

(e) As of December 31, 2017 corresponded to Bank Deposits Certificates – CDB's kept by Mineração Taboca S.A. amounted to R$2,965,023 (equivalent to US$895,000), which yield interest at a rate 20 percent CDI and have original maturities of less than 90 days, (R$2,565,000, equivalent to US$788,000) as of December 31, 2016).

(f) Term deposits with original maturity greater than 90 days are presented under "Other financial assets" of the consolidated statement of financial position.

7. Trade and other receivables, net

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

	2017 US$(000)	2016 US$(000)
Trade:		
Invoices receivable from sale of tin (b)	72,401	73,872
Allowance for doubtful accounts (d)	(1,243)	(1,210)
	71,158	72,662
Other receivables:		
Value added tax credit and other tax credits (e)	74,768	56,400
Judicial deposits (g)	7,187	6,863
Related parties, note 29 (a)	3,268	304
Advances to suppliers (f)	2,663	7,153
Credits in favor for works for taxes	1,469	747
Invoices receivable for the sale of other inputs and fixed assets	1,176	1,331
Restricted funds	395	1,292
Loans to employees	346	425
Others	3,695	5,424
	94,967	79,939
Total	166,125	152,601

	2017	2016
	US$(000)	US$(000)
By maturity:		
Current	103,423	98,937
Non-Current	62,702	53,664
Total	166,125	152,601
By nature:		
Financial Asset	89,888	95,454
Non-Financial Asset	76,237	57,147
Total	166,125	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) As of December 31, 2017 and 2016, the aging analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
2017	71,158	67,557	-	3,593	8	-	-
2016	72,662	65,925	-	6,734	3	-	-

(d) The movement of the allowance for doubtful accounts for the years 2017 and 2016 is as follows:

	2017	2016
	US$(000)	US$(000)
Opening balance	1,210	2,587
Exercise estimate, note 24	34	-
Recovery of doubtful estimate, note 24	-	(1,377)
Translation difference	(1)	-
Ending balance	1,243	1,210

In the opinion of the Group's Management, the doubtful collection estimate as of December 31, 2017 and 2016 adequately covers the credit risk of these items at those dates.

(e) As of December 31, 2017 and 2016, this item mainly comprises the credit for the value added tax resulting from the purchase of goods and services of the exploration activities carried out by the subsidiaries in Peru and Brazil (Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C., Marcobre S.A.C. and Mineração Taboca S.A.) that will be compensated with the value added tax payable that will be generated when the Company begins its operations. If there is a balance of tax credit for value added tax, its refund or compensation will be requested under the balance in favor of the exporter regime on the basis of export sales.

In the opinion of the Group's management, the tax credit for value added tax will be applied when offsetting the value added sales payable generated by the future sales that will make by the subsidiaries, see note 3.2(j).

(f) As of December 31, 2017 and 2016, this item mainly includes advances made by Minsur S.A. and its subsidiary Mineração Taboca S.A. to its suppliers for the development of the optimization project of its productive process during the year 2017 and 2016, respectively.

(g) As of December 31, 2017 and 2016, this item includes judicial deposits held by the subsidiary Mineração Taboca S.A. corresponding to processes that were liquidated through the debt financing of the tax administration of Brazil (REFIS) and that is expected the evolution of the revision initiated in 2014, by the Secretaria do the Receita Federal do Brasil and by the General Attorney of the National Treasury of Brazil, which is required to the release and consequent lifting of the amounts deposited.

8. Inventory, net

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

	2017 US$(000)	2016 US$(000)
Finished products	22,409	18,898
Work in progress (b)	38,316	45,435
Materials and supplies	47,239	40,731
Mineral extracted	3,829	449
Inventory in transit	3,649	977
	115,442	106,490
Impairment loss of inventories (c)	(243)	(2,020)
Allowance for obsolescence (d)	(5,121)	(4,255)
	110,078	100,215

(b) As of December 31, 2017 and 2016 the products in process was made up as follows:

	2017	2016
	US$(000)	US$(000)
Products in tin process - Taboca		
Sintering	10,107	9,962
Tin concentrate floating	487	3,088
Gravimetric tin concentrate	479	1,271
Others	2,253	3,190
	13,326	17,511
Products in tin process - Minsur		
Metal in process	2,393	2,327
Gravimetric tin concentrate	1,666	2,584
Dross	1,293	992
Bag House Powder	1,288	783
Tin concentrate floating	932	1,010
Metal MH Iron	669	606
Others	516	445
	8,757	8,747
Products in gold process		
Leaching PAD – armed cell	4,035	4,389
Dore bar	3,282	6
Broken mineral in charge	3,014	3,712
Adsorption tanks	1,654	1,144
Refined in process	830	141
Electrolytic cells	-	4,496
Others	372	56
	13,187	13,944
Products in process of Fe Nb and Ta		
Metallurgy	2,663	4,766
Floating of niobates	383	227
Mistos plant	-	240
	3,046	5,233
	38,316	45,435

The products in process (tin, gold, iron, niobio and tantalum) present the following characteristics:

i. *Tin -*

Operations in Peru:
The crude tin produced in the foundry contains impurities such as iron, copper, arsenic, antimony, lead, bismuth and indium. These impurities are removed sequentially, through a pyro-metallurgical process, in cast iron pots of 50 tons capacity, taking advantage of their different physicochemical properties, until obtaining refined tin with 99.94 percent of purity and a maximum of 0.02 percent of lead, which is then molded into ingots and other presentations.

Operations in Brazil:
Conformed by cassiterite and columbite that will later be concentrated using systems of jigs, spirals, tables, electrostatic separators, also by the concentrate of gravimetric tin and by flotation, which contain tin extracted from the inside mine. These materials are available to follow the following processes of tin recovery, which basically consist of the smelting and refining process.

ii. *Gold -*

Corresponds to the mineral placed on the leach deposits, which contain the ore that has been extracted from the pit and that are available to follow the gold recovery processes. In the deposits of leached mineral the recovery is carried out through its exposure to the solution of sodium cyanide that dissolves the gold and whose solution is sent to the plant of the extraction process.

iii. Iron, Niobio and Tantalum -

The alloy of Iron Niobio and Tantalum (FeNbTa) is an innovative product, developed by the Taboca mining after years of research and investments. It is a metallic alloy of Niobium and Tantalum combined in a matrix of Ferro-Oxygen-Silicon, resulting from the melting of the minerals of columbite and pyrochlore, also abundant in the Pitinga Mine.

(c) The estimation for impairment loss of finished products and products in process had the following movement during the years 2017 and 2016:

	2017 US$(000)	2016 US$(000)
Opening balance	2,020	3,218
Reversal of the estimate of the exercise, note 22	(1,808)	(1,782)
Translation difference	31	584
Ending balance	243	2,020

The estimate of the year corresponds to the reversal of the impairment loss of finished and in process products of the subsidiary Mineração Taboca S.A.

(d) The allowance for obsolescence of materials and supplies had the following movement during the years 2017 and 2016:

	2017 US$(000)	2016 US$(000)
Opening balance	4,255	3,076
Estimate of the year, note 22	893	983
Translation difference	(27)	196
Ending balance	5,121	4,255

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

9. Available-for-sale financial investments

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

	2017				
	Cost US$(000)	Unrealized results US$(000)	Past due interest US$(000)	Sale of the investment US$(000)	Fair Value US$(000)
Mutual funds with public quotation	125,000	6,713	-	-	131,713
Investment certificates in the state	2,935	-	-	-	2,935
Certificates of deposit without public quotation	35,000	-	2,557	(37,557)	-
Total	162,935	6,713	2,557	(37,557)	134,648

	2016				
	Cost US$(000)	Unrealized results US$(000)	Past due interest US$(000)	Sale of the investment US$(000)	Fair Value US$(000)
Mutual funds with public price	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 mutual funds is determined based on public price quotes in an active market. The fair value of certificates of deposit without a public listing is estimated based on discounted cash flows using available market rates for debt instruments with similar conditions, maturity and credit risk.

(b) The movement of available-for-sale financial investments is presented below:

	2017 US$(000)	2016 US$(000)
Opening balance	165,700	192,498
Sale of certificates of deposit	(37,557)	(31,256)
New investments	2,935	-
Unrealized results	2,861	3,035
Interest earned on certificates of deposit	709	1,423
Ending balance	134,648	165,700
Classification by expiration:		
Current portion	2,935	36,890
Non- current portion	131,713	128,810
Total	134,648	165,700

10. Available-for-sale financial investments

(a) As of December 31, 2017 and 2016, the Group maintains an investment in shares of BBVA shares of Spain for US$7,792,000 and US$6,072,000, respectively. BBVA Spain is an entity of recognized prestige in the international market and therefore has a very low level of risk.

As of December 31, 2017, the Group maintains an investment in shares of Rímac Seguros y Reaseguros for US$29,325,000. Rímac Seguros y Reaseguros is an entity of recognized prestige in the national market, which is part of the Breca Group, and has a very low level of risk.

(b) As of December 31, 2017 and 2016, the fair value of the investments classified as a financial asset at fair value through profit or loss has been determined on the basis of its price on the Madrid and Lima Stock Exchange. Below, the following table shows the movement of the items:

	2017				
	Opening balance US$(000)	Transfer, note 11 (c) US$(000)	Changes of the fair value US$(000)	Dividends in shares US$(000)	Fair Value US$(000)
Rímac Seguros y Reaseguros	-	21,070	8,255	-	29,325
BBVA Spain	6,072	-	1,582	138	7,792
Total	6,072	21,070	9,837	138	37,117

	2016				
	Opening balance US$(000)	Transfer US$(000)	Changes of the fair value US$(000)	Dividends in shares US$(000)	Fair Value US$(000)
BBVA Spain	6,412	-	(358)	18	6,072
Total	6,412	-	(358)	18	6,072

(c) In 2017, the Group received dividends in cash and in shares from BBVA Spain for US$177,000 and US$138,000, respectively (US$159,000 and US$18,000 in dividends in cash and shares in 2016), which were credited to the results of the year.

11. Investments in associates

(a) This caption is made up as follows:

	Interest in equity		Equity value	
	2017	2016	2017	2016
	%	%	US$(000)	US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiaries (c)	73.94	73.94	285,494	264,342
Explosivos S.A. (c)	10.95	10.95	12,610	12,182
Futura Consorcio Inmobiliario S.A.C. (c)	4.96	4.96	5,203	5,113
Rímac Seguros y Reaseguros (c)	-	14.51	-	61,015
Servicios Aeronáuticos Unidos S.A.C. (c)	-	47.50	-	2,871
			303,307	345,523

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

(b) The net share of the profits (losses) of its associated companies is as follows:

	2017 US$(000)	2016 US$(000)
Inversiones Cordillera del Sur Ltda. and subsidiaries (c)	10,507	22,874
Rímac Seguros y Reaseguros (c)	2,464	3,161
Explosivos S.A. (c)	410	4,294
Servicios Aeronáuticos Unidos S.A.C. (c)	(286)	(504)
Futura Consorcio Inmobiliario S.A. (c)	(93)	(266)
Final balance	13,002	29,559

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

Inversiones Cordillera del Sur Ltda. and subsidiaries
It is associated (see 3.1 (e)) Its main objective is to maintain investments in Melon 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 construction materials, to construction companies related to the real estate, civil and mining sectors and to concrete companies in Chile.

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

	2017 US$(000)	2016 US$(000)
Opening balance	264,342	227,337
Plus (minus):		
Translation	10,718	8,820
Participation in net profit	10,507	22,874
Unrealized gains	332	5,311
Others	(405)	-
Ending balance	285,494	264,342

Rímac Seguros y Reaseguros

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

On September 26, 2017, the Group sold through stock exchange to Inversiones Breca S.A. the amount of 119,700,000 shares in Rímac Seguros and Reaseguros, at their fair value, amounting to 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 Group holds 63,020,532 shares of Rímac Seguros y Reaseguros.

After the sale of part of the shares of Rímac, the Group reassess the classification of its investment in Rímac and decided to reclassify it to the caption "Financial assets at fair value through profit or loss".

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

	2017 US$(000)	2016 US$(000)
Opening balance	61,015	48,214
Plus (minus):		
Sale of shares	(40,020)	-
Transfer	(21,070)	-
Dividends	(2,389)	(1,903)
Participation in net profit	2,464	3,161
Unrealized results	-	10,830
Translation	-	881
Others	-	(168)
Ending balance	-	61,015

Explosivos S.A.

It is a Peruvian limited company incorporated on February 25, 1954, and its main shareholder until October 31, 2017, was Inversiones Breca S.A. who owned 80.80 percent of the shares representing the capital stock. In September 2017, Inversiones Breca S.A. decided to make a corporate reorganization and its participation in the capital of its subsidiary companies, was divided into different business segments, creating holdings for the direct control of said segments. As a result of this distribution, the associate is part of the industrial segment and is under control of the Breca Soluciones de Voladura S.A.C. since November 1, 2017. Based on this, the associate belongs to the Breca Group.

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

	2017 US$(000)	2016 US$(000)
Opening balance	12,182	7,886
Plus		
Participation in net profit	410	4,294
Translation	18	2
Ending balance	12,610	12,182

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

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

	2017 US$(000)	2016 US$(000)
Opening balance	5,113	5,318
Plus (minus)		
Participation in net loss	(93)	(266)
Translation	181	83
Others	2	(15)
Unrealized results	-	(7)
Ending balance	5,203	5,113

Servicios Aeronáuticos 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.

On October 20, 2017, SAUSAC's Shareholders' Meeting approved the liquidation of SAUSAC. As a result, its equity was distributed among its investors, which was carried out based on the percentage of participation held by each investor at that date, based on that, the Group received a total of US$2,575,000 in cash.

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

	2017 US$(000)	2016 US$(000)
Opening balance	2,871	3,375
Plus (minus)		
Participation in net loss	(286)	(504)
Other results	(10)	-
Disposal of investments	(2,575)	-
Ending balance	-	2,871

12. Property, plant and equipment, net

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

	As of January 1, 2017 US$(000)	Additions US$(000)	Disposals (d) US$(000)	Transfers (e) US$(000)	Translation US$(000)	As of December 31, 2017 US$(000)
Cost						
Lands	21,825	1,435	-	-	(24)	23,236
Buildings and installations	458,691	20	(3,223)	41,178	(2,492)	494,174
Machinery and equipment	368,115	5,355	(3,967)	27,475	(2,700)	394,278
Furniture, fixtures, computer equipments, communication and security equipments	12,034	27	(66)	1,186	(98)	13,083
Vehicles	12,502	36	(833)	866	(156)	12,415
Work in progress (c)	113,283	125,629	(1,139)	(83,264)	(1,198)	153,311
Mine closure costs	81,388	16,695	-	-	(391)	97,692
	1,067,838	149,197	(9,228)	(12,559)	(7,059)	1,188,189
Accumulated depreciation						
Buildings and installations	220,917	29,537	(1,227)	192	(512)	248,907
Machinery and equipment	264,983	25,025	(1,950)	56	(1,744)	286,370
Furniture, fixtures, computer equipments, communication and security equipments	8,533	1,021	(20)	31	(59)	9,506
Vehicles	8,717	984	(790)	6	(102)	8,815
Mine closure costs	38,754	5,873	-	-	46	44,673
	541,904	62,440	(3,987)	285	(2,371)	598,271
Impairment loss of Property, plant and equipment, note 14	-	-	(81,360)	-	-	(81,360)
Net Cost	525,934					508,558

	As of January 1, 2016 US$(000)	Additions US$(000)	Disposals(d) US$(000)	Transfers US$(000)	Translation US$(000)	As of December 31, 2016 US$(000)
Cost						
Lands	20,983	600	-	-	242	21,825
Buildings and installations	414,606	18,566	(9,650)	18,733	16,436	458,691
Machinery and equipment	325,004	3,278	(3,217)	23,760	19,290	368,115
Furniture, fixtures, computer equipments, communication and security equipments	10,218	7	(144)	1,299	654	12,034
Vehicles	12,491	-	(2,001)	504	1,508	12,502
Work in progress (c)	61,113	81,337	(318)	(40,636)	11,787	113,283
Mine closure costs	68,453	10,766	-	-	2,169	81,388
Finance leases	3,660	-	-	(3,660)	-	-
	916,528	114,554	(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, computer equipments, communication and security equipments	7,013	1,106	(74)	-	488	8,533
Vehicles	8,263	1,007	(1,576)	29	994	8,717
Mine closure costs	35,137	3,341	-	-	276	38,754
Finance leases	1,363	299	-	(1,661)	(1)	-
	481,029	55,395	(12,243)	-	17,723	541,904
Net Cost	435,499					525,934

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

	2017 US$(000)	2016 US$(000)
Cost of sales, note 22	58,222	53,313
Exploration and evaluation expenses, note 25	1,939	1,176
Other expenses, note 26	1,262	157
Administrative expenses, note 23	729	742
Development cost, note 13	285	-
Selling expenses, note 24	3	7
	62,440	55,395

(c) As of December 31, 2017 and 2016, the balance of work in progress includes mainly the following items:

	2017 US$(000)	2016 US$(000)
Marcobre project	26,568	25
Tail arrangement - Taboca	18,844	13,537
Reclamation of tailings dam B3 - Minsur	18,684	-
Oven N° 12 and 11 – Taboca	14,786	5,288
Project B2 (level 4480 and 4475) - MInsur	14,541	1,253
Expansion niobium flotation and tantalum – Taboca	13,540	7,748
Hydroelectric plant recovery – Taboca	7,887	1,081
Leaching pad - new line barren - Minsur	3,513	1,928
Increase capacity and recovery - Phase 2B – Taboca	2,936	1,363
Dikes A and C reinforcement – Taboca	2,420	-
Pre-concentration plant - Minsur	2,272	1,971
Equipments belo monte – Taboca	1,950	1,808
Pitinga project – Taboca	1,578	1,595
Expansion for 800TPH – Taboca	1,156	5,338
Assets in transit	154	9,464
Reform of houses in villa Pitinga	-	4,930
Filling equipment - Large cavity	-	3,474
Others	22,482	52,480
	153,311	113,283

(d) Corresponds mainly to the loss due to the fire of the assets belonging to the ore sorting - San Rafael and with withdrawal of the assets belonging to the interconnection system of the Azángaro - San Rafael high voltage line as of December 31, 2017 and of 2016, respectively.

(e) Corresponds mainly to the revision by closing of the works in progress completed during the year 2017 in Mineração Taboca that corresponds to the projects of Over N ° 12 and 11 and the expansion of niobium and tantalum flotation.

(f) The Management assessed the recoverable value of the Property, plant and equipment of the Group and has determinate an impairment loss related to Taboca's assets as of December 31, 2017 and 2016, see note 14.

13. **Intangible assets, net**

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

	As of January 1, 2017 US$(000)	Additions US$(000)	Adjustments and transfers US$(000)	Impairment loss, note 14 US$(000)	Reversal of impairment loss, note 14 US$(000)	Translation US$(000)	As of December 31, 2017 US$(000)
Cost:							
Indefinite useful life							
Goodwill of Mineração Taboca S.A.	43,868	-	(1,209)	(41,835)	-	(824)	-
	43,868	-	(1,209)	(41,835)	-	(824)	-
Definite useful life							
Mining concessions and mining rights	315,290	3,000	-	(25,318)	121,645	(1,786)	412,831
Mine development costs	53,581	30,422	1	-	-	-	84,004
Connection and easement rights	5,946	-	85	-	-	-	6,031
Usufruct of lands	4,062	807	(87)	-	-	84	4,866
Remediation asset	1,132	1	-	-	-	-	1,133
Licenses	673	275	144	(42)	-	(2)	1,048
	380,684	34,505	143	(25,360)	121,645	(1,704)	509,913
	424,552	34,505	(1,066)	(67,195)	121,645	(2,528)	509,913
Accumulated amortization:							
Mining concessions and mining rights	14,561	3,861	-	-	-	(206)	18,216
Mine development costs	14,734	5,447	-	-	-	-	20,181
Connection and easement rights	1,581	367	42	-	-	-	1,990
Usufruct of lands	1,658	321	(42)	-	-	23	1,960
Remediation asset	848	285	-	-	-	-	1,133
Licenses	482	60	-	-	-	(10)	532
	33,864	10,341	-	-	-	(193)	44,012
Net Cost	390,688						465,901

	As of January 1, 2016	Additions	Adjustments and transfers	Translation	As of December 31, 2016
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Year 2016					
Cost:					
Indefinite useful life					
Goodwill of Mineração Taboca S.A.	36,044	-	-	7,824	43,868
	36,044	-	-	7,824	43,868
Definite useful life					
Mining concessions and mining rights	295,421	155	(579)	20,293	315,290
Mine development costs	30,257	23,324	-	-	53,581
Connection and easement rights	3,803	437	1,706	-	5,946
Usufruct of lands	5,716	15	(1,706)	37	4,062
Remediation asset	-	-	1,132	-	1,132
Licenses	470	9	118	76	673
	335,667	23,940	671	20,406	380,684
	371,711	23,940	671	28,230	424,552
Accumulated amortization:					
Mining concessions and mining rights	9,840	3,484	(564)	1,801	14,561
Mine development costs	11,988	2,746	-	-	14,734
Connection and easement rights	1,210	371	-	-	1,581
Usufruct of lands	1,358	292	-	8	1,658
Remediation asset	-	284	564	-	848
Licenses	336	80	-	66	482
	24,732	7,257	-	1,875	33,864
Net Cost	346,979				390,688

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

	2017	2016
	US$(000)	US$(000)
Cost of sales, note 22	9,764	6,696
Exploration and evaluations expenses, note 25	553	542
Administrative expenses, note 23	11	19
Others, net 26	13	-
	10,341	7,257

(c) As of December 31, 2017 and 2016, the additions of the development cost mainly comprise the following concepts:

	2017	2016
	US$(000)	US$(000)
Project management services	13,901	6,600
Feasibility study - Mining, processes and port studies	5,815	9,178
B2 Project	6,892	3,595
Large cavity filling	2,063	2,829
Others	1,751	1,122
	30,422	23,324

(d) As of December 31, 2017, mining concessions and mining rights amounted to US$412,831,000 (US$315,290,000 as of December 31, 2016) and are mainly related to the Mineração Taboca S.A. concession and Mina Justa.

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

According to the policies and procedures of the Group, each asset or cash-generating unit (CGU) is evaluated annually at the end of the period, to determine if there is evidence of impairment; except, when evaluating intangible assets of indefinite useful life such as goodwill recorded as part of business acquisitions. If there are such indications of impairment, a formal estimate of recoverable amount is performed.

As of December 31, 2017, the Group concluded that there are no impairment indicators for its San Rafael (tin) and Pucamarca (gold mine) units and, therefore, did not make a formal estimate of the recoverable amount. On the other hand, considering that there is a goodwill related to the Taboca mining unit, the Company made the calculation of the recoverable value, and the Company evaluated and identified that there were indicators that the impairment loss of Mina Justa mining unit could have decreased, so its recoverable value was determined.

The impact on the results of the loss (reversal) of impairment is composed as follows:

	2017
	US$(000)
Impairment loss	148,555
Reversal of impairment loss	(121,645)
	26,910

The following are the assumptions used in the impairment test of the Taboca mining unit and the Mina Justa mining unit:

(i) Taboca mining unit -

As of December 31, 2017, the net carrying amount of the mining unit of Pitinga and the smelting plant of Pirapora was US$389,455,000. This book value includes: concessions, plant, equipment and related facilities and goodwill. As a result of the evaluation of the capacity to generate future cash flows of Pitinga and Pirapora, the Group's Management considers necessary to record an impairment loss of value in this cash-generating unit. That conclusion is based on the assumptions detailed below, which could be modified to the extent that the assumptions used differ materially from future market conditions.

Key assumptions

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

- Production volumes –

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

  These estimates take into account the estimated production plan for the following years. According to these resources, the tin unit has a production horizon of 30 years as of December 31, 2017.

- Discount rate –
  The future cash flows were adjusted considering the risk specific to the assets and were discounted at an annual pre-tax rate of 10 percent.

- Prices -
  The subsidiary has used estimates of future metal prices obtained from international investment banks. Estimated tin prices for the current and non-current period used for estimating future revenues are in the range from US$19,500 to US$21,000 per metric tonne (MT).

- Operating expenses –
  Management has projected operating costs by reference to the cost structure of the last years of the Group, changes and efficiencies achieved during the year in production, and their own knowledge of the mining industry.

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

The Group has determined the recoverable value of the Pitinga Mine unit, which amounts to US$240,900,000. As a result, an impairment loss of US$148,555,000 was recognized in 2017, which has been recognized in the "Impairment loss" caption in the consolidated statement of profit or loss.

(ii) Mina Justa
During the year 2017, the Group identified that there were indicators that the impairment loss on long-lived assets recognized in previous years could have decreased as a result of significant changes on the economic and market environment in which the Group operates that have a favorable effect, for which carried out the evaluation of the recoverable value of said mining unit.

As a result of the evaluation of the capacity to generate future cash flows of the "Mina Justa" project, the Group’s Management considered that it was necessary to record a reversal of the impairment loss in this cash generating unit. This conclusion is based on the assumptions detailed below, which could be modified to the extent that the assumptions used differ materially from future market conditions.

Key assumptions

The calculation of recoverable value for the Mina Justa project is very sensitive to the following assumptions:

- Production volumes-

  Copper production volumes are based on the feasibility study prepared by independent specialists and approved by the competent authority. The production volumes depend on a series of variables, such as: the recoverable quantities; the production plan; the cost of developing the necessary infrastructure to extract the reserves; production costs; and the sale price of the minerals that are extracted.

  These estimates take into account the estimated production plan for the following years. According to these resources, the copper unit has a production horizon of 16 years as of December 31, 2017.

- Discount rates -

  The future cash flows were adjusted considering the risk specific to the assets and were discounted at annual after-tax rate of 10 percent.

- Prices -

  The Group has used estimates of future metal prices obtained from international investment banks. The estimated copper prices for the current and non-current periods used for estimating future revenues are in the range from US$6,812 to US$7,231 per metric ton (MT).

- Operating costs -

  Management has projected operating costs based on information on the structure cost of the feasibility study.

- Useful life -

  Management estimates that the useful life considered in its projection is consistent with the economic life of the cash generating unit, determined based on reserves, which has been determined in 16 years.

  On the basis of this evaluation, the Group's Management considers that the recoverable value of its assets is greater than the net cost recorded (net of the impairment loss), therefore, the Group has reversed the impairment loss recognized in previous years, for the amount of US$121,645,000.

Sensitivity analysis

In relation to the Taboca mining unit, which has been impaired during the year 2017, any reasonably possible and material change in the key assumptions explained above could result in further impairment loss or lead to a reversal of the same.

In relation to the "Mina Justa" project, any reasonably possible and material change in the key assumptions explained above could result in an impairment loss.

In relation to the San Rafael and Pucamarca units, Management estimates that in order for an impairment loss to be generated by these Group's cash generating units, a material and significant change would have to be made in the current operating and market conditions.

15. Trade and other payables

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

	2017 US$(000)	2016 US$(000)
Trade payables (b):		
Third parties	90,072	78,589
Related parties, note 29(a)	6,637	9,693
	96,709	88,282
Other payables (b):		
Interest payable	26,816	25,900
Accounts payable for acquisition of non-controlling interest, note 1 (c.3)	16,433	15,760
Workers' profit sharing (c)	16,164	17,303
Other taxes and contributions payable	13,205	12,807
Remuneration and Board's fees payable	7,701	7,853
Payable due to acquisition of mining concessions (d)	3,000	10,000
Related parties, note 29(a)	928	481
Others	2,070	2,862
	86,317	92,966
Total	183,026	181,248
By maturity:		
Current portion	151,385	141,798
Non-current portion	31,641	39,450
Total	183,026	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 percent of annual taxable income. The distribution is determined by 50 percent on the number of days each employee worked during the preceding year and 50 percent 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, Branch of Peru (Rio Tinto) to acquire mining concessions, mining rights, option rights and technical studies referred to a specific geographic area in the province of Nazca, designated "Target Area 1". According to the contracts signed, there is a fixed consideration (which was fully paid by Marcobre S.A.C. during the years 2007 and 2008), and a conditional consideration of US$10,000,000. Out of this amount, US$3,000,000 shall be paid if the Group decides to initiate production activities and the mineral resources have a metallic content higher than 2.58 million of metric tons of copper (opportunity to cancel US$3,000,000). Once the metallic content is higher than 3.44 million of metric tons of copper (opportunity to cancel the remaining US$7,000,000).

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

During 2017, the Group made the determination of the account payable related to these contracts, concluding that account payable amounts to US$3,000,000 (US$1,275,000 to Shougang Hierro Peru and US$1,725,000 to Rio Tinto, respectively), being the probable date of the disbursement in August 2018, month in which the start of the production stage will be defined.

16. Interest-bearing loans and borrowings

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

Entity	Guarantee	Interest rate	2017	2016
			US$(000)	US$(000)
Corporate bonds, net of issuance costs (c)	No guarantee	6.25%	440,833	440,106
Citibank	Corporate Minsur	Libor 3 months +2.28%	75,264	-
Banco do Brazil	With guarantee	4.27%	23,022	56,270
Banco Itaú	With guarantee	6.60%	19,299	30,482
Bank of America	With guarantee	5.01%	17,364	-
Banco BBM	With guarantee	6.00%	6,090	-
Banco Santos	No guarantee	CDI rate + 2%	4,490	4,571
Banco Santander	No guarantee	5.06%	-	13,790
Banco ABC Brazil	No guarantee	4.84%	-	6,100
FINAME BNDES (Santander)	Leased assets	6.00%	-	120
FINAME BNDES (Safra)	Leased assets	6.00%	-	72
Other financial obligations	No guarantee		3,772	-
			590,134	551,511
By maturity				
currrent portion			69,882	106,781
Non-current portion			520,252	444,730
			590,134	551,511

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

	2017	2016
	US$(000)	US$(000)
Opening balance	551,511	536,847
Additions	217,828	96,353
Payments	(166,671)	(98,268)
Translation	(12,534)	16,579
Final balance	590,134	551,511

(c) The General Shareholders' Meeting held on January 30, 2014, agreed that the Group 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 percent, obtaining net proceeds of US$441,823,500.

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

(d) As of December 31, 2017, Minsur S.A. maintains joint guarantee by US$230,000,000 to guarantee the financial obligations of its subsidiary Taboca with the following financial institutions:

- Banco Itaú by US$25,000,000; this joint guarantee, has no expiration date.
- Banco do Brasil by US$40,000,000; this joint guarantee, has no expiration date and stand by with expiration until December 31, 2017.
- Banco Santander Brasil by US$25,000,000; this joint guarantee, has no expiration date.
- Banco BBM by US$ 6,700,000; this joint guarantee, has no expiration date.
- Bank of America by US$ 38,000,000; this joint guarantee, has no expiration date.
- JP Morgan by US$20,000,000; this joint guarantee, has no expiration date, generated by the subscription of the hedge contract with this financial entity.
- Citibank by US$75,000,0000; this joint guarantee, has no expiration date.

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

Years	2017 US$(000)	2016 US$(000)
2018	-	41
2019	-	12
2020	4,490	4,571
2022	74,930	-
2024	440,832	440,106
	520,252	444,730

17. Provisions

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

	Provision for mine closure (b) US$(000)	Provision for environmental remediation (c) US$(000)	Provision for 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, note 27	1,888	11,574	-	-	13,462
Change in estimates	9,150	154	-	-	9,304
Payments and advances	(889)	(4,040)	(58)	(8,487)	(13,474)
Reversals, note 26	-	-	(449)	-	(449)
Reclassifications	(15,901)	15,901	-	-	-
As of December 31, 2016	104,026	60,913	5,527	9,963	180,429
Additions	6,953	-	2,953	11,182	21,088
Translation	(1,086)	(642)	(89)	(34)	(1,851)
Accretion, note 27	1,558	(1,808)	-	-	(250)
Change in estimates	9,742	2,589	-	-	12,331
Payments and advances	(5,582)	(8,678)	(14)	(7,944)	(22,218)
Reversals, note 26	-	-	(1,452)	(3,439)	(4,891)
As of December 31, 2017	115,611	52,374	6,925	9,728	184,638
Classification 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
Classification by maturity:					
Current portion	3,515	8,725	2,237	9,213	23,690
Non-current portion	112,096	43,649	4,688	515	160,948
As of December 31, 2017	115,611	52,374	6,925	9,728	184,638

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

	Pitinga and Pirapora units US$(000)	Units San Rafael, Pucamarca and Pisco units US$(000)	Others US$(000)	Total US$(000)
As of January 1, 2016	40,233	56,205	3,052	99,490
Additions, note 12(a)	-	-	1,616	1,616
Translation	8,663	-	9	8,672
Accretion	-	1,813	75	1,888
Change in estimate, note 12(a)	14,835	(6,601)	916	9,150
Payments and advances	-	(64)	(825)	(889)
Reclassifications	(15,901)	-	-	(15,901)
As of December 31, 2016	47,830	51,353	4,843	104,026
Additions, note 12(a)	-	6,953	-	6,953
Translation	(1,063)	-	(23)	(1,086)
Accretion	-	1,491	67	1,558
Change in estimate, note 12(a)	6,169	2,718	855	9,742
Payments and advances	-	(33)	(5,549)	(5,582)
As of December 31, 2017	52,936	62,482	193	115,611
Classification 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
Classification by maturity:				
Current portion	-	3,464	51	3,515
Non-current portion	52,936	59,018	142	112,096
As of December 31, 2017	52,936	62,482	193	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 2018 and 2052, in compliance with government regulations, see note 30(a) and (b). The estimated closing costs of mining units are based on studies prepared by independent consultants, which comply with environmental regulations. The provision for closure of mining units relates mainly to activities to be performed for the restoration of the mining units and areas affected by operating activities. The main work to be performed is for earthworks, revegetation works and dismantling of the plants. The closing budgets are regularly reviewed to take into account any significant change in the studies. However, the closing costs of mining units will depend on market prices of closure works required to reflect future economic conditions. Also, the time of the disbursements carried out depends on the life of the mine, which depends of future prices of metals.

As of December 31, 2017, the main assumptions used in the calculation of the present value of the mine closure provision are the following:

	Pirapora and Pitinga units	San Rafael, Pucamarca and Pisco units
Annual risk-free rate	5.44%	Between 0.266% and 2.833%
Years covered by the closure mine	34 years	13,9 and 24

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

	Pitinga and Pirapora units US$(000) (i)	Sillustani and Barbastro US$(000) (ii)	Marcobre US$(000) (iii)	Total US$(000)
As of January 1, 2016	14,223	15,222	1,158	30,603
Additions	-	2,013	-	2,013
Translation	4,708	-	-	4,708
Accretion	11,103	446	25	11,574
Change in estimate	-	144	10	154
Payments and advances	(1,808)	(2,232)	-	(4,040)
Reclassifications	15,901	-	-	15,901
As of December 31, 2016	44,127	15,593	1,193	60,913
Translation	(624)	(18)	-	(642)
Accretion	(2,186)	361	17	(1,808)
Change in estimate	-	2,589	-	2,589
Payments and advances	(1,831)	(6,847)	-	(8,678)
As of December 31, 2017	39,486	11,678	1,210	52,374

	Pitinga and Pirapora units US$(000) (i)	Sillustani and Barbastro US$(000) (ii)	Marcobre US$(000) (iii)	Total US$(000)
Classification by maturity:				
Current portion	9,058	4,396	1,138	14,592
Non-current portion	35,069	11,197	55	46,321
As of December 31, 2016	44,127	15,593	1,193	60,913
Classification by maturity:				
Current portion	2,004	5,511	1,210	8,725
Non-current portion	37,482	6,167	-	43,649
As of December 31, 2017	39,486	11,678	1,210	52,374

(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$39,486,000 (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 S.A.C. This provision amounts to US$10,794,000 as of December 31, 2017 (US$14,720,000 as of December 31, 2016) and includes activities to improve drainage systems, water treatment, wetland rehabilitation, among other works that shall be executed during the years 2018 to 2019.

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

The present value of the obligation as of December 31, 2017 for the usufruct contract with the Rural Community Tinyacclla and Rio de la Virgen which amounts approximately to US$675,000 and US$209,000 (US$627,000 and US$246,000 as of December 31, 2016), respectively.

(iii) This obligation is related with restoration activities in explorations area of Mina Justa Project which is operated by the subsidiary Marcobre and includes activities such as earthwork, revegetation and the dismantling of all facilities. This obligation is expected to be incurred during 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), civil contingencies by US$1,247,000 and other minor contingencies by US$103,000 (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), National Water Authority (NWA) and of Supervisory Organization of the Investment in Energy and Mining (OSINERGMIN) by US$2,237,000 (US$2,283,000 as of December 31, 2016).

18. Deferred income tax assets and liabilities, net

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

	As of January 1, 2016 US$(000)	Effect on profit or loss US$(000)	Translation US$(000)	Effect in other comprehensive income US$(000)	As of December 31, 2016 US$(000)	Effect on profit or loss US$(000)	Translation US$(000)	Effect in other comprehensive income US$(000)	Other patrimonial reserves US$(000)	As of December 31, 2017 US$(000)
Deferred income tax assets										
Exploration and evaluation costs	46,216	-	-	-	46,216	1,028	-	-	-	47,244
Differences in accounting and tax basis of fixed assets	8,140	5,755	-	-	13,895	28,836	-	-	-	42,731
Tax benefits from acquisition of Taboca S.A.	19,941	1,070	4,397	-	25,408	32,108	(1,257)	-	(23,345)	32,914
Provision for mine closure	14,810	349	-	-	15,159	3,062	-	-	-	18,221
Pre-operative costs for tax purposes	-	-	-	-	-	8,314	-	-	-	8,314
Differences in accounting and tax basis of mining concessions	185	(171)	-	-	14	4,467	-	-	-	4,481
Profit from tax payments in excess of previous years	5,265	(410)	-	-	4,855	(3,669)	-	-	-	1,186
Mining royalties and special mining tax	721	1,009	-	-	1,730	(429)	-	-	-	1,301
Financial assets at fair value with changes in results	2,299	397	-	-	2,696	(2,696)	-	-	-	-
Others	1,766	3,447	(166)	-	5,047	(2,075)	19	-	-	2,991
	99,343	11,446	4,231	-	115,020	68,946	(1,238)	-	(23,345)	159,383
Deferred income tax liabilities										
Differences in accounting and tax basis of mining concessions	(36,537)	(28)	-	-	(36,565)	(61,230)	2,914	-	-	(94,881)
Exchange difference of non-monetary items	(22,686)	4,106	-	-	(18,580)	6,683	-	-	-	(11,897)
Assets retirement costs	(7,536)	2,133	-	-	(5,403)	(1,695)	-	-	-	(7,098)
Development costs	(4,723)	(500)	-	-	(5,223)	899	-	-	-	(4,324)
Differences in accounting and tax basis of fixed assets	(1,818)	407	(371)	-	(1,782)	(1,223)	-	-	-	(3,005)
Differences in accounting and tax basis of inventories	(612)	219	-	-	(393)	(139)	-	-	-	(532)
Others	(675)	(282)	-	(739)	(1,696)	(4,137)	-	(844)	-	(6,677)
	(74,587)	6,055	(371)	(739)	(69,642)	(60,842)	2,914	(844)	-	(128,414)
Deferred income tax assets (liability), net	24,756	17,501	3,860	(739)	45,378	8,104	1,676	(844)	(23,345)	30,969
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	(40)	-	-	-	1,315
	3,009	1,697	-	-	4,706	721	-	-	-	5,427
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 derivative	-	-	-	-	-	(35)	-	-	-	(35)
	(3,078)	517	-	-	(2,561)	720	-	-	-	(1,841)
Deferred tax liability of MR and SMT, net	(69)	2,214	-	-	2,145	1,441	-	-	-	3,586
Total deferred income tax assets (liability), net	24,687	19,715	3,860	(739)	47,523	9,545	1,676	(844)	(23,345)	34,555

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:

	2017 US$(000)	2016 US$(000)
Deferred income tax assets	136,744	85,795
Deferred income tax liabilities	(102,189)	(38,272)
	34,555	47,523

(b) The reconciliation of the income tax expense and the profit before taxes times the tax rate of 2017 and 2016, is presented below:

	2017 US$(000)	2016 US$(000)
Profit before income tax	143,623	141,815
At statutory income tax rate	(16,887)	(36,960)
Provision of tax losses	(26,450)	(4,949)
Participation in results from associates	(10,006)	8,277
Tax credit	(3,669)	(410)
Effect of mining royalties	5,165	5,145
Translation (c)	4,852	4,336
Effect of permanent differences, net	239	(12,736)
Update of fixed asset an intangible tax basis	-	(1,494)
Effect of the change in income tax rate	-	924
Other	(319)	56
Income tax expense	(47,075)	(37,811)
Mining royalties and special mining tax	(16,068)	(16,162)
Total	(63,143)	(53,973)

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

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

	2017 US$(000)	2016 US$(000)
Income tax		
Current	(55,179)	(55,312)
Deferred	8,104	17,501
	(47,075)	(37,811)
Mining royalties and special mining tax		
Current	(17,509)	(18,376)
Deferred	1,441	2,214
	(16,068)	(16,162)
Total **of income tax**	(63,143)	(53,973)

Deferred income tax on investments in associates -
The Group 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 Group has the intent and the ability to hold these investments in the long-term. Consequently, Management believes that the temporary difference will be reversed through dividends to be received in the future, which according to current tax rules are not subject to income tax. There is no legal or contractual obligation for the Group's management to be forced to sell its investment in associates.

19. Equity

(a) Capital stock -
As of December 31, 2017 and 2016, the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, is represented by 19,220,015 common shares with a nominal value of S/100.00 each one.

(b) Investment shares -
As of December 31, 2017 and 2016, this caption is made up of 960,999,163 investment shares, with a nominal value of S/1 each one.

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

The quotation of these shares as of December 31, 2017 was S/1.80 per share and its frequency of negotiation was 90 percent (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 percent of the distributable earnings for each period, after deducting the income tax, needs to be transferred to a legal reserve until such is equal to 20 percent of the capital. This legal reserve can offset losses or can be capitalized, in both cases there is the remaining the obligation to replenish it.

For the years 2017 and 2016, the Group has not increased its legal reserve because it reached the limit mentioned above.

(d) Reinvested earning -
As of December 31, 2017 and 2016, this balance is made up of reinvested profits approved in prior years by US$39,985,000 (as of December 31, 2016 for US$39,985,000).

(e) Declared and paid dividends -
Below is the information on declared and paid dividends during the year 2017:

	Date	Dividends declared and paid US$(000)	Dividends per common share US$	Dividends per investment share US$
Dividends 2017				
Shareholders' meeting	September 22	61,138	1.50	0.033

No dividends have been declared or paid in 2016.

(f) Other reserves -

During 2017, the Group analyzed the recoverability of the asset for deferred income tax related to the tax credit obtained in Brazil for the acquisition of the subsidiary Mineração Taboca S.A. and determined that a portion amounting to US$23,345,000 of said credit will not be recoverable, so the Group decreased it. On the other hand, in accordance with the General Corporation Law, the Group recognized in this item dividends pending to paid from previous years for an amount of US$551,000.

During 2016, the Group, through its subsidiary Cumbres Andinas S.A.C., acquired the non-controlling interest of Marcobre S.A.C. (Marcobre) which represented the 30 percent of its share capital belonging to KLS Limited, achieving control of the 100 percent of the shares of Marcobre, owner of the Mina Justa project, which caused a decrease in other reserves of US$9,850,000.

(g) Cumulative translation adjustment -

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

During 2017, the resulting exchange difference was a gain net of US$7,566,000 (which includes a translation loss of US$3,362,000 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$210,000 for the other 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 gain of US$8,820,000 from the associate Inversiones Cordillera del Sur Ltda. of Chile and a translation gain of US$852,000 for the other subsidiaries and associates). These exchange differences are included in the consolidated statement of comprehensive income.

(h) Unrealized results -

Corresponds to unrealized results from financial investments available for sale for US$5,129,000 and unrealized gains on investments in associates for US$502,000.

20. Tax situation

(a) Peruvian tax -

The Company is subject to the Peruvian tax system.

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

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

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

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

(b) Tax Situation

Minsur S.A

The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2013 to 2017 and value added tax (VAT) for the years 2013 to 2017 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.

Due to the interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether or not of the tax audits that will perform will result in increased liabilities for the Company. Therefore, any greater tax or surcharge that could result from eventual tax reviews would be applied to the results of the fiscal year in which it is determined. However, in opinion of the Company's management and its legal counsels, any eventual additional tax settlement would not be significant for the consolidated financial statements as of December 31, 2017 and 2016.

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 percent 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$390,759,000 (US$427,003,000 as of December 31, 2016). The subsidiary has decided to recognize a deferred income tax asset related to the tax loss carryforward only for the recoverable portion, recording a deferred income tax asset of US$13,440,000 considering that there is no certainty of recovery additional portion of the accumulated tax losses.

According to the Brazilian laws the tax losses do not expired, but their utilization will be limited to 30 percent of the taxable profit of each future period.

Peruvian subsidiaries -
In the case of Marcobre, the tax authorities have the power to review and, if applicable, correct the income tax calculated by the Company in the four years after the year of filling the tax return. The affidavits of the income tax from 2016 to 2017 and the value added tax returns for the periods 2013 to 2017 are pending review by the tax authorities

In the other subsidiaries, the income tax returns from 2013 to 2017 and the value added tax returns from 2013 to 2017 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:

	2017 US$(000)	2016 US$(000)
Compañía Minera Barbastro S.A.C.	3,211	1,323
Minera Sillustani S.A.C.	3,196	2,732
Cumbres Andinas S.A.C.	815	2,860
Minera Latinoamericana S.A.C.	46	111
Marcobre S.A.C.	-	16,734

As of December 31, 2017, these subsidiaries, with exception of Marcobre, have not recognized deferred income tax asset originated by the tax loss carryforward by US$7,268,000 (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. 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.

(d) Legal Stability Agreement -

On December 9, 2016, the subsidiary Marcobre S.A.C. signed a Legal Stability Agreement with the Agency for the Promotion of Private Investment - PROINVERSION, respectively, through which it undertakes to issue shares in favor of its Principal (Cumbres Andinas S.A.C.) for US$135,300,000 within a period not exceeding two years and it will be destined to expand the productive capacity of the subsidiary Marcobre S.A.C. and obtains the stabilization of the income tax and labor regimes, in force at the date of subscription of the agreement. This agreement has a term of 10 years counted from the date of its subscription. As of December 31, 2017, the subsidiary Marcobre S.A.C. maintains the income tax rates described above, note 20(a).

21. **Net sales**

The composition of this caption is presented below:

	2017 US$(000)	2016 US$(000)
Tin and other minerals	503,696	465,168
Gold	119,093	132,883
Niobium and tantalum	49,175	28,561
	671,964	626,612
Embedded derivative for sale of tin	766	133
Loss on derivative financial instruments, note 35(a)	(629)	(9,697)
	672,101	617,048

Tin sales concentration -

In 2017 there is no significant concentration of sales. The three most important clients accounted for 36 percent of total sales (30 percent in 2016).

Concentration of gold sales -

In 2017 and 2016, the Group sold gold to four customers.

Concentration of sales of niobium and tantalum -

In 2017 there is no significant concentration of sales. The three most important customers accounted for 56 percent of total sales (50 percent in 2016).

22. Cost of sales

The composition of this caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Opening balance of product in process inventory	45,884	35,011
Opening balance of finished product inventory	18,898	19,754
Services rendered by third parties	106,016	105,248
Wages and salaries	94,407	87,464
Consumption of raw material and miscellaneous supplies	79,731	78,034
Depreciation, note 12(b)	58,222	53,313
Purchase of mining services from AESA S.A., note 29(b)	30,319	32,608
Electricity	15,549	14,853
Amortization, note 13(b)	9,764	6,696
Purchase of explosives from Exsa S.A.	6,598	6,801
Insurance	4,053	3,197
Inventory losses	3,665	-
Taxes and rates	2,520	143
Allowance for obsolescence of materials and supplies, note 8(c)	893	983
Allowance for impairment of inventories, note 8(b)	(1,808)	(1,782)
Other manufacturing expenses	3,205	2,845
Final balance of product in process inventory	(42,145)	(45,884)
Final balance of finished product inventory	(22,409)	(18,898)
	413,362	380,386

23. Administrative expenses

The composition of this caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Personnel expenses	29,486	26,289
Services provided by third parties	11,813	9,794
Advice and consulting	3,982	2,958
Sundry expenses	2,569	2,426
Depreciation, note 12(b)	729	742
Amortization, note 13(b)	11	19
Supplies	-	37
	48,590	42,265

24. Selling expenses

The composition of this caption is made up as follows:

	2017	2016
	US$(000)	US$(000)
Third-party services	4,749	3,834
Wages and employee benefits	1,224	1,107
Sundry expenses	893	635
Sales commissions	133	440
Allowance for doubtful accounts, note 7(d)	34	-
Depreciation, note 12(b)	3	7
Reversal of the estimation for doubtful accounts, note 7(d)	-	(1,377)
	7,036	4,646

25. Exploration and evaluation expense

The composition of this caption is made up as follows:

	2017	2016
	US$(000)	US$(000)
Services provided by third parties	29,863	18,516
Personnel expenses	3,094	5,071
Depreciation, note 12(b)	1,939	1,176
Sundry expenses	1,793	1,496
Purchase of contract services to AESA S.A., note 29(b)	1,284	1,600
Amortization, note 13(b)	553	542
Supplies	419	263
	38,945	28,664

26. Others, net

The composition of this caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Other operating income:		
Income from the sale of investments in associate	61,139	-
Reversal of liability for acquisition of concessions	10,000	-
Revenue on sale of supplies	5,386	2,959
Income for insurance indemnity	3,199	-
Reversion of provision of tax credits of Taboca	2,751	854
Recovery of accounts receivable for tax litigation	1,570	-
Reversal of provision for contingencies, note 17(a)	1,452	449
Income for advisory service	1,440	1,474
Lease of property and equipment	1,061	1,054
Revenue from sale of property, plant and equipment	779	793
Recovery of provisions in Taboca	-	1,503
Others	2,036	1,976
	90,813	11,062
Other operating expenses:		
Net cost of disposal of shares	(39,885)	-
Net cost of property, plant and equipment withdrawn	(5,241)	(3,087)
Cost of sale of supplies	(4,993)	(2,374)
Contingencies expenditures, note 17(a)	(2,953)	(1,754)
Fiscal administrative sanctions	(2,933)	-
Donations granted	(2,625)	(1,407)
Provisions for environmental remediation and others, note 26	(2,589)	(2,167)
Withdrawn of other credits	(1,602)	(1,671)
Taxes assumed for financial costs of debt and other provisions	(1,403)	(3,303)
Contributions to public entities of environmental regulation	(1,273)	(1,432)
Depreciation, note 12(b)	(1,262)	(157)
Retirement fund for mining workers	(924)	(987)
Expenses in excess for mine closure	(601)	-
Labor and others indemnities	(358)	(1,689)
Adjustment for physical inventory of supplies	(190)	(2,250)
Amortization, note 13(b)	(13)	-
Expenditure on temporary shutdowns	-	(385)
Others	(5,742)	(4,860)
	(74,587)	(27,523)
Total others, net	16,226	(16,461)

27. Finance income and costs

The composition of this caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Finance income:		
Interest on term deposits	5,009	1,971
Interest on tax credits	3,425	-
Interest on certificate of deposit	709	1,912
Others	2,483	1,165
Interest income	11,626	5,048
Accretion of provisions, see note 17(a)	2,198	-
Total	13,824	5,048
Finance costs:		
Interest on corporate bond	(28,125)	(28,125)
Bank loans interests and commissions	(9,927)	(7,687)
Amortization of issuance costs of corporate bond	(726)	(961)
Others	(1,970)	(1,046)
Interest expenses	(40,748)	(37,819)
Accretion, note 17(a)	(1,948)	(13,462)
Accretion of the account payable to the non-controlling interest	(673)	-
Total	(43,369)	(51,281)

28. Earnings per share (EPS)

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

The calculation of the earnings per share is presented below:

	2017	2016
	US$	US$
Numerator -		
Net Income	80,480,000	87,842,000
	Number of stockshare	**Number of stockshare**
Denominator -		
Common stockshares, note 19(a)	19,220,015	19,220,015
Investment shares, note 19(b)	960,999,163	960,999,163
Profit (loss) per stockshare		
Basic diluted - US$ per common share	2.79	3.05
Basic and diluted - US$ per invesment share	0.03	0.03

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

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

29. Related parties transactions

(a) Receivables and Payables -

The balances of the receivable and payable with related parties as of December 31, 2017 and 2016 follow:

	2017	2016
	US$(000)	US$(000)
Receivable (current):		
Compañía Minera Raura S.A.	1,968	204
Rímac Seguros y Reaseguros	1,002	-
Administración de Empresas S.A.	246	93
Others	52	7
	3,268	304
Payables (current):		
Administración de Empresas S.A.	5,782	8,521
Exsa S.A.	855	1,123
Clínica Internacional S.A.	380	182
Inversiones San Borja S.A	242	176
Rímac S.A. Entidad prestadora de salud	158	15
Inversiones Nacionales de Turismo S.A.	37	11
Compañía Minera Raura S.A.	32	-
Estratégica S.A.C.	28	-
Protección Personal S.A.	24	19
Centria Servicios Administrativos S.A.	24	18
Rímac Seguros y Reaseguros	2	40
Bodegas Viña de Oro	1	1
Constructora AESA S.A.	-	49
Urbanizadora Jardín S.A.	-	10
Corporación Peruana de Productos Químicos S.A.	-	9
	7,565	10,174
By nature:		
Commercial, note 15 (a)	6,637	9,693
Diverse, note 15 (a)	928	481
	7,565	10,174

There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2017, the Group has not recorded any impairment of receivables related to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

(b) Main transactions -

The main transactions occurred during the years 2017 and 2016 were the following:

	2017 US$(000)	2016 US$(000)
Administracion de Empresas S.A. (AESA) – Mining services, note 22 and 25	31,603	34,208
Exsa S.A. – Purchase of explosives and others suppliers	6,598	7,265
Rímac Seguros y Reaseguros – Insurance coverage services	3,533	4,533

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

(c) Remunerations -

The compensation received by key personnel of the Group for the years ended December 31, 2017 and 2016 has been recognized as an expense in the consolidated statement of profit or loss and there are as follows:

	2017 US$(000)	2016 US$(000)
Peru		
Salaries	12,735	11,188
Board remuneration	402	420
	13,137	11,608
Brazil		
Fixed remuneration	1,314	3,292
Variable remuneration	514	563
	1,828	3,855
Total	14,965	15,463

The Group does not remunerate Management with post-employment benefits, termination of contract, or share-based payments.

30. Commitments

(a) Environmetal Impact Study (EIA)

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

(b) Law of Mine Closure in Peru –

On October 14, 2004, the Peruvian government enacted the Law No.28090 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.

Minsur S.A.

As of December 31, 2017, the provision for mine closure of the 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 17(b).

Compañía Minera Barbastro S.A.C.

As of December 31, 2017, the provision for mine closure of the Marta unit amounts to US$193,000 equivalent to S/627,000, (US$4,843,000, equivalent to S/16,270,000 as of December 31, 2016).

Mineração Taboca S.A.

According to environmental regulations in Brazil, Taboca has recognized a provision for mine closure of the mining unit of Pitinga 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 17(b).

Environmental remediation

Marcobre S.A.

As of December 31, 2017 and 2016 the Mina Justa project is in the feasibility stage, so the subsidiary submitted to the General Directorate of Mining Environmental Affairs a closure plan for their exploration activities, which was approved through Directorial Resolution Nro.325-2013/MEM/AAM on September 3, 2013. In relation to this closure plan, as of December 31, 2017 and 2016, the Company has a liability for environmental restoration of US$1,210,000 and US$1,193,000, respectively.

The subsidiary presented a Mine Closure Plan for its Mina Justa project, which was approved by the General Directorate of Mining Environmental Affairs through Directorial Resolution No.018-2012-MEM/DGAAM on April 11, 2012. This closure plan of mine covers activities of progressive and final closure of a mine in production, reason why this plan constitutes a future commitment of the Company that amounts to a nominal value of US$29,525,000, which will become an obligation when the Company starts the activities that have an impact on the current conditions of the concessions.

Minera Sillustani S.A.C.

The subsidiary has a Closure Plan for Environmental Liabilities approved by the Ministry of Energy and Mines (MINEM) through Directorial Resolution No. 154-2009-MEM of June 10, 2009, as well as a modification of its schedule, approved by means of Directorial Resolution No. 354-2010-MEM/AAM on November 2, 2010. The plan for closing the environmental liabilities of the Regina Mine is oriented to propose the pertinent measures for the remediation of the liabilities that are part of the project.

The closure plan for mining environmental liabilities of the subsidiary has been prepared in compliance with Law N ° 28271 "Law Regulating the Environmental Liabilities of Mining Activity" modified by Law N ° 28526, and its regulation, Supreme Decree N ° 059-2005-EM, modified by Supreme Decree N ° 003-2009-EM. Likewise, it has been developed taking into account the Guide for the Preparation of Mining Environmental Liabilities of the MINEM.

In compliance with this obligation, on December 29, 2016, the Company presented to the Ministry of Energy and Mines, the Closure Plan of the environmental liability of the Regina Mine, which was subscribed in Directorial Resolution No. 117-2017-MEM-DGAAM of April 17, 2017.

As of December 31, 2017, the provision for mine closure amounts to US$10,794,000 equivalent to S/35,026,000 (US$14,720,000 equivalent to S/49,462,000 as of December 31,2016).

(c) Community Support Agreement –
Minera Barbastro S.A.C.
On November 28, 2008, the subsidiary committed itself to the Rural Community of Tinyacclla, to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(i) From the first to the fifth year: US$19,000 per year.
(ii) From the sixth to the tenth year: US$23,000 per year.
(iii) From the eleventh to the fifteenth year: US$29,000 per year.
(iv) From the sixteenth to the twentieth year: US$36,000 per year.
(v) From the twenty-first to the twenty-fifth year: US$45,000 per year.

As of December 31, 2017, the subsidiary has made disbursements for an amount of US$32,000 equivalent to S/104,000 (US$32,000 equivalent to S/109,000 as of December 31, 2016). The subsidiary has constituted a provision for this obligation of US$675,000 equivalent to S/2,191,000 (US$627,000 equivalent to S/2,108,000 as of December 31, 2016) that was recorded in the caption "Provisions".

Minera Sillustani S.A.C.
On September 17, 2009, the subsidiary committed itself to the Rural Community of Rio de la Virgen to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(i) From the first to the fifth year: US$17,000 per year.
(ii) From the sixth to the tenth year: US$21,000 per year.
(iii) From the eleventh to the fifteenth year: US$26,000 per year.

On June 18, 2013, the subsidiary committed itself to the Peña Azul Rural Community, to carry out social and/or sustainable development works during the period in which it conducts its exploration and exploitation activities on the lands of the Community, on the basis of the following budget:

(iv) From the first to the fifth year: US$36,000 per year.
(v) From the sixth to the tenth year: US$43,200 per year.
(vi) From the eleventh to the fifteenth year: US$51,840 per year.
(vii) From the sixteenth to the twentieth year: US$62,208 per year.

Both Agreements contemplate the creation of a "social management committee" in charge of: (i) determining the sustainable development works to be developed in the calendar year, (ii) prepare the budget and (iii) prepare the disbursement schedule.

31. 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/101,646,000 (equivalent to US$31,323,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution. Management and its legal advisors estimate that this appeal will be favorable resolved in the interests of the Group.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of December 31, 2017, the accumulated payments under protest amounted to US$18,517,000 (US$24,091,000 as of December 31, 2016). The Group will recognize these contingencies when its collection will be virtually certain.

During 2017, the Group recovered a total of US$7,477,000 from the payment under protest related to the claims before the SUNAT for processes related to the income tax of the years 2000 and 2001 and for processes related to the value added tax of the year 2005 when obtaining a favorable result before the Tax Court. The total recoverable amount includes interest and commissions for US$3,425,000 that have been recorded under "Financial income" in the consolidated statement of profit or loss.

(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$32,290,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,847,142 shares of Union de Cervecerias Backus y Johnston S.A.A., occurred in July 2002. The Group will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Group.

(c) Sanctioning administrative processes -
During 2017, and prior years, the Group has received some notifications from the Agency for Assessment and Environmental Control ("OEFA" for its acronym in Spanish), Ministry of Production ("PRODUCE" for its acronym in spanish) and Supervisor Organization of Investment in Energy and Mining ("OSINERGMIN" for its acronym in Spanish), 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 OEFA, PRODUCE and OSINERGMIN amounted to 196,817 tax units – TU, equivalent to US$251,707,000 as of December 31, 2017 (225,001 tax units – TU, equivalent to US$271,207,000 as of December 31, 2016). In relation to these notifications, the Group has appealed these sanctions, being currently pending of resolution by OEFA, PRODUCE and OSINERGMIN.

Management and its legal counsels have analyzed these processes and they have estimated a contingency of US$2,237,000 (US$2,283,000 as of December 31, 2016), which is presented under "Provisions" in the Consolidated statements of financial situation (refer to note 17(d)).

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

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

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.

32. Segment information

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

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

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

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

	Tin y Gold (Peru)							
	Tin (Perú) US$(000)	Gold (Perú) US$(000)	Other non-allocable (a) (Perú) US$(000)	Total (Perú) US$(000)	Tin (Brazil) US$(000)	Mining exploration (Perú and Chile) US$(000)	Adjustments and eliminations US$(000)	Total Consolidated US$ (000)
Year 2017								
Results:								
Net sales from third parties	369,959	119,093	-	489,052	183,049	-	-	672,101
Cost of sales	(169,241)	(66,571)	-	(235,812)	(177,550)	-	-	(413,362)
Administrative expenses	(22,830)	(8,980)	-	(31,810)	(12,436)	(4,575)	231	(48,590)
Selling expenses	(2,920)	(1,148)	-	(4,068)	(2,934)	-	(34)	(7,036)
Exploration and evaluation expenses	(20,080)	(7,898)	-	(27,978)	-	(10,967)	-	(38,945)
Reversal/ impairment loss	-	-	-	-	(148,555)	121,645	-	(26,910)
Other expenses, net	(6,947)	(2,732)	21,254	11,575	(2,480)	7,728	(597)	16,226
Operating income (loss)	147,941	31,764	21,254	200,959	(160,906)	113,831	(400)	153,484
Profit (loss) before income tax	-	-	146,254	146,254	(170,954)	168,108	215	143,623
Income tax	-	-	(65,773)	(65,773)	28,359	(25,729)	-	(63,143)
Profit (loss), net	-	-	80,481	80,481	(142,595)	142,379	215	80,480
Assets:								
Cash and cash equivalents	-	-	202,882	202,882	1,158	36,440	1	240,481
Other financial assets	-	-	160,444	160,444	-	-	-	160,444
Inventory, net	46,521	19,388	-	65,909	43,998	171	-	110,078
Current assets	101,363	19,388	412,223	532,974	90,457	37,852	(411)	660,872
Property, plant and equipment and intangibles, net	184,628	148,293	-	332,921	170,520	464,995	6,023	974,459
Total assets	285,991	167,681	1,371,271	1,824,943	406,079	28,591	10,188	2,269,801
Liabilities:								
Financial obligations	-	-	440,833	440,833	145,529	3,771	1	590,134
Current liabilities	8,090	362	110,488	118,940	99,090	32,168	(411)	249,787
Total liabilities	46,852	20,619	551,321	618,792	316,653	129,782	(410)	1,064,817
Other disclosures:								
Additions of fixed assets, intangibles	54,080	18,642	-	72,722	43,221	47,778	-	163,721
Depreciation and amortization (included in costs and expenses)	20,045	29,112	-	49,157	21,485	2,139	-	72,781
Operating activities	-	-	144,302	144,302	(41,292)	(9,788)	-	93,222
Investing activities	-	-	(140,429)	(140,429)	(40,488)	69,592	-	(111,325)

	Tin y Gold (Peru)							
	Tin (Peru) US$(000)	Gold (Peru) US$(000)	Other non-allocable (a) (Peru) US$(000)	Total (Peru) US$(000)	Tin (Brazil) US$(000)	Mining exploration (Peru and Chile) US$(000)	Adjustments and eliminations US$(000)	Total Consolidated US$ (000)
Year 2016								
Results:								
Net sales from third parties	356,317	133,333	-	489,650	127,398	-	-	617,048
Cost of sales	(173,714)	(60,291)	-	(234,005)	(146,381)	-	-	(380,386)
Administrative expenses	(20,617)	(7,156)	-	(27,773)	(11,778)	(2,714)	-	(42,265)
Selling expenses	(1,989)	(690)	-	(2,679)	(1,967)	-	-	(4,646)
Exploration and evaluation expenses	(11,224)	(3,896)	-	(15,120)	-	(13,544)	-	(28,664)
Other expenses, net	(4,853)	(1,685)	-	(6,538)	(6,862)	(3,061)	-	(16,461)
Operating income (loss)	143,920	59,615	-	203,535	(39,590)	(19,319)	-	144,626
Profit (loss) before income tax	-	-	146,620	146,620	(45,400)	4,179	36,416	141,815
Income tax	-	-	(58,771)	(58,771)	1,394	3,404	-	(53,973)
Profit (loss), net	-	-	87,849	87,849	(44,006)	7,583	36,416	87,842
Assets:								
Cash and cash equivalents	-	-	260,153	260,153	2,247	9,957	-	272,357
Other financial assets	-	-	80,986	80,986	-	30,173	-	111,159
Inventory, net	39,657	20,437	-	60,094	39,799	322	-	100,215
Current assets	94,002	20,831	404,995	519,828	78,879	41,483	(8,418)	631,772
Property, plant and equipment and intangibles, net	151,558	152,257	-	303,815	383,780	230,874	(1,847)	916,622
Total assets	245,560	173,088	1,377,248	1,795,896	504,305	907,837	(1,045,669)	2,162,369
Liabilities:								
Financial obligations	-	-	440,106	440,106	111,405	-	-	551,511
Current liabilities	8,645	446	102,546	111,637	171,364	22,935	(8,427)	297,509
Total liabilities	44,586	12,911	542,652	600,149	277,673	97,036	(8,427)	966,431
Other disclosures:								
Additions of fixed assets, intangibles	35,126	7,902	-	43,028	67,273	17,427	-	127,728
Depreciation and amortization (included in costs and expenses)	(15,931)	(27,357)	-	(43,288)	(18,002)	(1,362)	-	(62,652)
Operating activities	-	-	167,708	167,708	(14,222)	(15,309)	6,804	144,981
Investing activities	-	-	(290,477)	(290,477)	(87,402)	(209,974)	383,077	(204,776)

Geographic information

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

	2017 US$(000)	2016 US$(000)
Tin and other minerals		
Europe	248,065	223,738
America	183,864	149,084
Asia	73,737	71,711
Brazil	41,946	43,650
Peru	5,259	5,546
Gold		
United States	97,819	85,218
Europe	21,274	47,665
	671,964	626,612
Embedded derivative for sales of tin	766	133
Loss of derivate financial instruments, note 35(a)	(629)	(9,697)
	672,101	617,048

33. Financial instrument risk management, objectives and policies

33.1. Financial risk factors -

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

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

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

(i) Market risks-

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

Sensitivity analyzes included in the following sections relate to the financial position as of December 31, 2017 and 2016

These sensitivity analyzes have been prepared on the basis that the amount of debt, the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants to December 31, 2017 and 2016.

Foreign currency risk –

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

Management assumes the foreign currency risk from operations; that is, therefore, the Group does not hedge transactions with derivative financial instruments to hedge its foreign currency risk.

The following table shows the sensitivity in the results of the Group in the years 2017 and 2016 if the brasilean Reais and Peruvian Sol had revalued/devalued 10 percent with respect to US dollar.

Years	**Revaluation/ devaluation in the exchange rate**	**Effect on profit (loss) before income tax** US$(000)
2017	10%	1,968
	-10%	(1,968)
2016	10%	4,989
	-10%	(4,989)

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

As of December 31, 2017 and 2016, the corporate bonds of the Group have a fixed effective interest rate, consequently, Management has assessed that it is not relevant to carry out an analysis of sensitivity to changes in interest rates.

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

The following table shows the sensitivity in the results of the Group in the years 2017 and 2016 if the price of the financial instruments listed in the market had increased/reduced 10 percent and the rest of the variables had remained constant:

Years	**Increase/decrease of price**	**Effect on profit (loss) before income tax** US$(000)
2017	10%	13,944
	-10%	(13,944)
2016	10%	16,991
	-10%	(16,991)

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

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

As of December 31, 2017, as a result of such hedging operations, the Group has recognized a receivable of US$315,000 (US$394,000 as of December 31, 2016) and an account payable of US$476,000 (US$5,487,000 as of December 31, 2016).

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

The table below summarizes the impact of changes in prices of tin in profit before income tax. This analysis is based on the assumption that the price of tin has increased or decreased by 10 percent, while all other variables are held constant. Positive scenario for 2017 was considered an average price of US$/MT 21,703; while for the negative scenario was considered an average price of US$/MT 17,757.

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

Years	Increase/decrease of price	Effect on profit (loss) before income tax US$(000)
2017	10%	1,941
	-10%	(1,941)
2016	10%	2,602
	-10%	(2,602)

(ii) Credit risk -

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

With regard to trade receivables, there are no significant concentrations since the Group has established policies to ensure that the sale of its production is made to clients with an adequate credit history. The maximum exposure to credit risk of the consolidated statement of financial position as of December 31, 2017 and 2016 is given by the balance of the captions cash and cash equivalents, trade and other receivables.

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

Changes in liabilities of financing activities -
Below we present the reconciliation of the movements in the financial obligations and the financing:

	As of January 1, 2017	Cash flow	Translation	Others	As of December 31, 2017
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Interest - bearing financial obligations current portion	106,781	51,157	(12,534)	(75,522)	69,882
Interest - bearing financial obligations - non-current portion	444,730	-	-	75,522	520,252
Total liabilities for financing activities	551,511	51,157	(12,534)	-	590,134

	As of January 1, 2016	Cash flow	Translation	Others	As of December 31, 2016
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Interest- bearing financial obligations current portion	93,793	(1,915)	16,471	(1,568)	106,781
Interest - bearing financial obligations - non-current portion	443,054	-	-	1,676	444,730
Total liabilities for financing activities	536,847	(1,915)	16,471	108	551,511

As of December 31, 2017 and 2016 the item "Others" includes: the effect of the reclassification of the non-current portion of interest-bearing financial obligations.

Trade accounts receivable -
The credit risk of the clients is managed by the Management, subject to duly established policies, procedures and controls. The outstanding balances of accounts receivable are periodically reviewed to ensure their recovery. The Group's tin and gold sales are made to foreign customers located mainly in Europe and the United States, respectively. As of December 31, 2017, the Group has a portfolio of approximately 58 customers (approximately 63 customers as of December 31, 2016).

Miscellaneous accounts receivable -
Accounts receivable other than the tax credit for value added tax and other tax credits correspond to outstanding balances for items that are not related to the Group's main operating activities. The Group' Management continuously monitors the credit risk of these items and periodically evaluates those debts that show impairment to determine the provision required for uncollectibility.

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

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

The following table shows the maturities of liabilities in the consolidated statement of financial position as of December 31, 2017 and 2016:

	On demand	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due in more than 5 years	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2017						
Financial obligations:						
Principal	-	-	66,110	79,420	450,000	595,530
Future interest	-	14,062	14,062	140,627	14,062	182,813
Others financial obligations	-	3,772	-	-	-	3,772
Trade and other payables	-	92,191	22,124	15,208	16,433	145,956
	-	110,025	102,296	235,255	480,495	928,071
As of December 31, 2016						
Financial obligations:						
Principal	-	-	106,781	4,624	450,000	561,405
Future interest	-	14,062	14,062	140,625	42,189	210,938
Trade and other payables	-	98,711	5,124	23,690	15,760	143,285
	-	112,773	125,967	168,939	507,949	915,628

33.2. Capital risk management -

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

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

34. Financial asset and financial liabilities

(a) Financial assets and liabilities –

	2017	2016
	US$(000)	US$(000)
Financial assets at fair value		
Financial assets at fair value through profit or loss, note 10(b)	37,117	6,072
Available-for-sale financial investments:		
Mutual funds with public quotation, note 9	131,713	128,810
Investment certificates in the state, note 9	2,935	
Certificates of deposit without public quote, note 9	-	36,890
Total available-for-sale investments, note 9	134,648	165,700
Derivative financial assets		
Embedded derivative for tin sales, note 35	601	-
Derivative financial instruments, note 35	315	394
Total financial assets at fair value	172,681	172,166
Derivative financial liabilities		
Derivative financial instruments of hedge, note 35	476	3,855
Embedded derivative for tin sales, note 35	-	165
Total financial liabilities at fair value	476	4,020

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 of the Group which included cash and cash equivalents and trade and other receivables are classified in the category of loans and receivables are held to maturity and generate revenue for fixed or variable interest. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities -

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

(b) Fair values -

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

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

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

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

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

	Carrying book value		Fair value	
	2017	2016	2017	2016
	US$(000)	US$(000)	US$(000)	US$(000)
Financial assets				
Financial assets at fair value through profit or loss	37,117	6,072	37,117	6,072
Available-for sale financial investments	134,648	165,700	134,648	165,700
Embedded derivative for tin sales	601	-	601	-
Total financial assets	172,366	171,772	172,366	171,772
Financial liabilities				
Financial obligations:				
Corporate bonds,	440,833	440,106	331,422	316,500
Other financial obligations	2,785	-	2,785	-
Trade and other payable	183,026	181,248	183,026	190,482
Derivative financial instruments	476	3,855	476	3,855
Embedded derivative for tin sales	-	165	-	165
Total financial liabilities	627,120	625,374	517,709	511,002

(c) Fair value measurement

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

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

The following table provides the fair value measurement hierarchy of the Group´s assets and liabilities as of December 31, 2017:

		Measurement at fair value using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2017				
Assets measured at fair value:				
Financial assets at fair value through profit or loss	37,117	37,117	-	-
Available-for-sale financial investments:				
Mutual funds with public quotations	131,713	131,713	-	-
Investment certificates in the state	2,935	-	2,935	-
Embedded derivative for sales of tin	601	601	-	-
Derivative financial instruments	315	315	-	-
Liabilities measured at fair value:				
Derivative financial liabilities:				
Derivative financial instruments	-	-	-	-
Embedded derivative for sales of tin	(476)	(476)	-	-

For the year ended December 31, 2017 there have been no transfers between levels of fair value.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as of December 31, 2016 –

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

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

35. **Derivative financial Instruments**

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

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

Embedded derivatives as of December 31, 2017 and 2016:

Metal	Quantity	Quotations period	Valuations		Fair value
			Provisional US$(000)	Futures US$(000)	US$(000)
2017					
Sale of mineral					
Tin (Peru)	832 TM	Jan/ Feb 2018	15,324	15,821	497
Tin (Brazil)	175.5 TM	Jan 2018	3,484	3,588	104
Total net asset					601
2016					
Sale of mineral					
Tin (Peru)	1,080 TM	Jan/Feb 2017	23,371	23,324	(47)
Tin (Brazil)	175 TM	Dec 2016	2,817	2,699	(118)
Total net liability					(165)

36. **Explanation added for translation to English language**

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

Nº 0073552

COLEGIO DE CONTADORES PÚBLICOS DE LIMA

AV. AREQUIPA Nº 998 Y AV. ALEJANDRO TIRADO Nº 181 - SANTA BEATRIZ - LIMA
TELEF.: 230-3000

R.U.C. 20106620106

Nº 73552

Constancia de Habilitación

La Decana y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que en base a los registros de la institución, se ha verificado que

PAREDES, BURGA & ASOCIADOS SOC. CIVIL DE RESPONSABILIDAD LIMITADA

MATRICULA : S0761

FECHA DE COLEGIATURA : 05/11/2002

Se encuentra, hábil a la fecha, para el ejercicio de las funciones profesionales que le faculta la Ley Nº 13253 y su modificatoria Ley Nº 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el

31/03/2019

Lima,

19 de Enero de 2018

Elsa R. Ugarte V.

CPCC Elsa Rosario Ugarte Vásquez
Decana

Penadillo C.

CPCC Moisés Manuel Penadillo Castro
Director Secretario

Verifique su validez en: www.ccpl.org.pe

Comprobante de Pago: 113-00000246

Verifique la validez del comprobante de pago en: www.sunat.gob.pe

EY | Assurance | Tax | Transactions | Advisory

Abou
t EY

EY is the global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies over the world. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

For more information, please visit ey.com/pe