Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated Financial Statements for the years 2017, 2016 and 2015, together with the Report of Independent Registered Public Accounting Firm

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Content

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Compañía de Minas Buenaventura S.A.A.

We have audited the accompanying consolidated financial statements of Compañía de Minas Buenaventura S.A.A. (a Peruvian public corporation) 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, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2017, 2016 and 2015, and a summary of significant accounting policies and explanatory notes.

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.

Auditors’ 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 about 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 auditor's 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 Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for 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.

Report of Independent Registered Public Accounting Firm (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 consolidated financial position of Compañía de Minas Buenaventura S.A.A. and Subsidiaries as of December 31, 2017 and 2016 and their financial performance and cash flows for the years ended December 31, 2017, 2016 and 2015, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Lima, Peru,
February 27, 2018

Countersigned by:

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

Compañía de Minas Buenaventura S.A.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	214,551	80,544
Trade and other receivables, net	7(a)	306,884	269,089
Inventories, net	8(a)	132,287	120,947
Income tax credit		23,165	19,956
Prepaid expenses	9	17,551	11,392
Embedded derivatives for sale of concentrate, net	31(b)	7,424	-
		701,862	501,928
Non-current assets			
Trade and other receivables, net	7(a)	44,191	166,048
Inventories, net	8(a)	3,238	14,027
Income tax credit		3,413	3,660
Investments in associates	10(a)	1,536,887	1,536,607
Mining concessions, development costs, property, plant and equipment, net	11	1,949,555	1,960,025
Investment properties, net	12	222	10,089
Deferred income tax asset, net	27(b)	43,129	25,881
Prepaid expenses	9	27,555	30,431
Other assets		22,761	17,719
		3,630,951	3,764,487
Total assets		4,332,813	4,266,415
Liabilities and shareholders' equity, net			
Current liabilities			
Bank loans	13	96,215	55,000
Trade and other payables	14(a)	233,355	273,440
Provisions	15(a)	76,847	62,502
Income tax payable		2,081	8,686
Embedded derivatives for sale of concentrate, net	31(b)	-	1,524
Financial obligations	16(a)	83,991	40,110
Hedge derivative financial instruments	31(a)	28,705	3,863
		521,194	445,125
Non-current liabilities			
Trade and other payables	14(a)	663	15,982
Provisions	15(a)	164,877	174,190
Financial obligations	16(a)	549,092	552,232
Contingent consideration liability	26(b)	17,570	19,343
Deferred income tax liabilities, net	27(b)	15,790	12,330
		747,992	774,077
Total liabilities		1,269,186	1,219,202
Shareholders 'equity, net	17		
Capital stock		750,497	750,497
Investment shares		791	791
Additional paid-in capital		218,450	218,450
Legal reserve		163,071	162,744
Other reserves		269	269
Retained earnings		1,728,847	1,690,123
Other reserves of equity		(13,888)	(1,783)
Shareholders 'equity, net attributable to owners of the parent		2,848,037	2,821,091
Non-controlling interest	18(a)	215,590	226,122
Total shareholders' equity, net		3,063,627	3,047,213
Total liabilities and shareholders' equity, net		4,332,813	4,266,415

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of profit or loss

For the years ended December 31, 2017, 2016 and 2015

	Note	2017 US$(000)	2016 US$(000)	2015 US$(000)
Continuing operations				
Operating income				
Net sales of goods	20(a)	1,223,942	1,015,670	846,269
Net sales of services	20(a)	29,697	28,782	50,839
Royalty income	29(a)	20,739	24,339	32,414
Total operating income		1,274,378	1,068,791	929,522
Operating costs				
Cost of sales of goods, excluding depreciation and amortization	21(a)	(627,433)	(497,812)	(513,490)
Cost of services, excluding depreciation and amortization	21(b)	(12,954)	(10,754)	(59,612)
Exploration in operating units	22	(94,928)	(96,149)	(89,699)
Depreciation and amortization		(213,722)	(192,647)	(232,583)
Mining royalties	23	(31,217)	(27,611)	(27,188)
Total operating costs		(980,254)	(824,973)	(922,572)
Gross profit		294,124	243,818	6,950
Operating expenses, net				
Administrative expenses	24	(83,597)	(81,692)	(84,372)
Exploration in non-operating areas	25	(18,262)	(26,589)	(30,610)
Selling expenses		(24,088)	(21,733)	(19,365)
Impairment loss of long-lived assets	11(b)	(21,620)	-	(3,803)
Provision for contingences and others	15(c)	(13,879)	(565)	(395)
Write –off of stripping activity asset	11(e)	(13,573)	-	-
Other, net		(13,589)	18,957	(5,340)
Total operating expenses, net		(188,608)	(111,622)	(143,885)
Operating profit (loss)		105,516	132,196	(136,935)
Other income (expense), net				
Share in the results of associates under equity method	10(b)	13,207	(365,321)	(173,375)
Finance income	26	5,517	6,830	11,026
Net gain (loss) from currency exchange difference		2,928	2,638	(13,693)
Finance costs	26	(34,623)	(31,580)	(27,572)
Total other income (expenses), net		(12,971)	(387,433)	(203,614)
Profit (loss) before income tax		92,545	(255,237)	(340,549)
Income tax				
Current	27(c)	(23,837)	(39,444)	(14,222)
Deferred	27(c)	5,825	(14,060)	(541)
Profit (loss) from continuing operations		74,533	(308,741)	(355,312)
Discontinued operations				
Loss from discontinued operations	1(e)	(10,098)	(19,073)	(20,233)
Profit (loss)for the year		64,435	(327,814)	(375,545)
Attributable to:				
Owners of the parent		60,823	(323,492)	(317,210)
Non-controlling interest	18(a)	3,612	(4,322)	(58,335)
		64,435	(327,814)	(375,545)
Basic and diluted profit (loss) per share attributable to equity holders of the parent, stated in U.S. dollars	17(e)	0.24	(1.27)	(1.25)
Profit (loss) for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars	17(e)	0.28	(1.20)	(1.17)

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2017, 2016 and 2015

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Net profit (loss)	64,435	(327,814)	(375,545)
Other comprehensive profit (loss):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in unrealized gain (loss) on cash flow hedges	(26,822)	(4,368)	(3,368)
Other items in associates	(427)	279	(546)
Income tax effect	7,963	(1,301)	3,372
	(19,286)	(5,390)	(542)
Total other comprehensive profit (loss)	45,149	(333,204)	(376,087)
Attributable to:			
Equity holders of the parent	48,718	(327,515)	(316,725)
Non-controlling interests	(3,569)	(5,689)	(59,362)
	45,149	(333,204)	(376,087)

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2017, 2016 and 2015

	Attributable to equity holders of the parent										
	Capital stock, net of treasury shares										
	Number of shares outstanding	Common shares US$(000)	Investment shares US$(000)	Additional paid-in capital US$(000)	Legal reserve US$(000)	Other reserves US$(000)	Retained earnings US$(000)	Other reserves of equity US$(000)	Total US$(000)	Non-controlling interest US$(000)	Total equity US$(000)
As of January 1, 2015	253,715,190	750,497	1,396	219,055	162,710	269	2,328,423	1,755	3,464,105	298,020	3,762,125
Net loss	-	-	-	-	-	-	(317,210)	-	(317,210)	(58,335)	(375,545)
Other comprehensive profit (loss)	-	-	-	-	-	-	-	485	485	(1,027)	(542)
Total other comprehensive profit (loss)	-	-	-	-	-	-	(317,210)	485	(316,725)	(59,362)	(376,087)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	-	-	-	(10,488)	(10,488)
Expired dividends	-	-	-	-	4	-	-	-	4	-	4
Other items	-	-	-	-	-	-	13,682	-	13,682	-	13,682
As of December 31, 2015	253,715,190	750,497	1,396	219,055	162,714	269	2,024,895	2,240	3,161,066	228,170	3,389,236
Net loss	-	-	-	-	-	-	(323,492)	-	(323,492)	(4,322)	(327,814)
Other comprehensive loss	-	-	-	-	-	-	-	(4,023)	(4,023)	(1,367)	(5,390)
Total other comprehensive loss	-	-	-	-	-	-	(323,492)	(4,023)	(327,515)	(5,689)	(333,204)
Change in non-controlling interest, note 18(a)	-	-	-	-	-	-	(3,659)	-	(3,659)	11,041	7,382
Expired dividends	-	-	-	-	30	-	-	-	30	-	30
Treasury shares, note 17(b)	-	-	(605)	(605)	-	-	-	-	(1,210)	-	(1,210)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(7,621)	-	(7,621)	(7,400)	(15,021)
As of December 31, 2016	253,715,190	750,497	791	218,450	162,744	269	1,690,123	(1,783)	2,821,091	226,122	3,047,213
Net profit	-	-	-	-	-	-	60,823	-	60,823	3,612	64,435
Other comprehensive loss	-	-	-	-	-	-	-	(12,105)	(12,105)	(7,181)	(19,286)
Total other comprehensive loss	-	-	-	-	-	-	60,823	(12,105)	48,718	(3,569)	45,149
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(22,099)	-	(22,099)	(6,036)	(28,135)
Change in non-controlling interest, note 18(a)	-	-	-	-	-	-	-	-	-	(927)	(927)
Expired dividends	-	-	-	-	327	-	-	-	327	-	327
As of December 31, 2017	253,715,190	750,497	791	218,450	163,071	269	1,728,847	(13,888)	2,848,037	215,590	3,063,627

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2017, 2016 and 2015

	Note	2017	2016	2015
		US$(000)	US$(000)	US$(000)
Operating activities				
Proceeds from sales		1,197,523	1,003,422	965,273
Dividends received	29	9,823	142,340	6,691
Value added tax recovered		102,548	117,661	81,692
Royalty received		21,565	25,961	38,983
Interest received		3,169	2,140	3,650
Payments to suppliers and third parties		(872,467)	(672,419)	(727,017)
Payments to employees		(160,891)	(138,113)	(175,329)
Interest paid		(30,402)	(34,138)	(21,518)
Payments of mining royalties		(20,165)	(20,052)	(22,836)
Income tax paid		(38,121)	(35,401)	(22,330)
Net cash and cash equivalents provided by operating activities		212,582	391,401	127,259
Investing activities				
Proceeds from collection of loan to an associate	29(d)	124,800	-	-
Proceeds from sale of mining concessions, development costs, property, plant and equipment		1,962	7,180	5,481
Additions to mining concessions, development costs, property, plant and equipment	11	(259,507)	(366,834)	(211,286)
Payments for acquisition of other assets		(5,405)	(5,222)	(10,238)
Loans to associates	29(d)	-	-	(124,800)
Loans to third parties	7	-	-	(829)
Net cash and cash equivalents used in investing activities		(138,150)	(364,876)	(341,672)
Financing activities				
Proceeds from financial obligations	16(g)	80,000	275,210	296
Proceeds from bank loans	13	341,215	200,500	344,503
Payments of bank loans	13	(300,000)	(442,957)	(90,000)
Payments of financial obligations	16(g)	(32,599)	(33,476)	(29,891)
Dividends paid to controlling shareholders	17(d)	(22,099)	(7,621)	-
Dividends paid to non-controlling shareholders	18(b)	(6,036)	(7,400)	(10,488)
Acquisition of non-controlling interest	18(a)	(621)	(5,459)	-
Increase of restricted bank accounts	7(e)	(285)	(2,087)	-
Purchase of treasury shares	17(b)	-	(1,210)	-
Net cash and cash equivalents provided by (used in) financing activities		59,575	(24,500)	214,420
Increase in cash and cash equivalents for the year, net		134,007	2,025	7
Cash and cash equivalents at beginning of year		80,544	78,519	78,512
Cash and cash equivalents at year-end		214,551	80,544	78,519
Financing and investing activities not affecting cash flows:				
Changes in mine closures plans		10,593	34,532	74,907
Contingent consideration liability		1,773	2,349	6,032
Accounts receivable from sale of assets		5,371	5,204	-

1. Identification and business activity

(a) Identification -

Compañía de Minas Buenaventura S.A.A. (hereafter “the Company” or “Buenaventura”) is a publicly traded corporation incorporated in 1953. The Company stock is traded on the Lima and New York Stock Exchanges through American Depositary Receipts (ADRs), which represent the Company’s shares deposited in the Bank of New York. The Company’s legal domicile is at Las Begonias Street N°415, San Isidro, Lima, Peru.

(b) Business activity -

The Company and its subsidiaries (hereinafter “the Group") are principally engaged in the exploration, mining, concentration, smelting and marketing of polymetallic ores and metals.

The Group operates directly five operating mining units in Peru (Uchucchacua, Orcopampa, Julcani, Mallay and Tambomayo), two discontinued mining units (Poracota and Shila-Paula), and one mining unit under development stage (San Gabriel). In addition, the Group has a controlling interest in Sociedad Minera El Brocal S.A.A. (hereinafter “El Brocal”), which operates the Colquijirca mining unit; in Minera La Zanja S.R.L. (hereinafter “La Zanja”), which operates La Zanja mining unit; in El Molle Verde S.A.C. (hereinafter “Molle Verde”) which operates Trapiche, a mining unit at the development stage; and in other entities dedicated to energy generation and transmission services, construction and engineering services and other activities. All these activities are developed in Peru.

(c) Approval of consolidated financial statements -

The consolidated financial statements as of December 31, 2017 were approved by the Board of Directors on February 27, 2018 and, in its opinion, will be approved without modifications in the Shareholders’ Meeting to be held within the term established by Law.

The consolidated financial statements as of December 31, 2016 were approved by the Board of Directors on February 28, 2017.

(d) The consolidated financial statements include the financial statements of the following subsidiaries:

	Country of incorporation and business	Ownership			
		December 31, 2017		December 31, 2016	
		Direct %	Indirect %	Direct %	Indirect %
Mining activities:					
Compañía Minera Condesa S.A.	Peru	100.00	-	100.00	-
Compañía Minera Colquirrumi S.A.	Peru	100.00	-	100.00	-
Sociedad Minera El Brocal S.A.A. (*)	Peru	3.18	58.24	3.08	58.24
Inversiones Colquijirca S.A. (*)	Peru	89.76	10.24	89.76	10.24
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	20.00	40.00	20.00	40.00
Minera La Zanja S.R.L.	Peru	53.06	-	53.06	-
Minera Julcani S.A. de C.V.	Mexico	99.80	0.20	99.80	0.20
Compañía de Minas Buenaventura Chile Ltda.	Chile	90.00	10.00	90.00	10.00
El Molle Verde S.A.C.	Peru	99.98	0.02	99.98	0.02
Apu Coropuna S.R.L.	Peru	70.00	-	70.00	-
Cerro Hablador S.A.C.	Peru	99.00	1.00	99.00	1.00
Minera Azola S.A.C.	Peru	99.00	1.00	99.00	1.00
Compañía Minera Nueva Italia S.A.	Peru	-	93.36	-	93.36
Energy generation and transmission services:					
Consorcio Energético de Huancavelica S.A.	Peru	100.00	-	100.00	-
Empresa de Generación Huanza S.A.	Peru	-	100.00	-	100.00
Empresa de Generación Huaura S.A.C. (**)	Peru	-	-	0.01	99.99
Construction, engineering services and insurance brokerage:					
Buenaventura Ingenieros S.A.	Peru	100.00	-	100.00	-
Contacto Corredores de Seguros S.A.	Peru	99.98	0.02	99.98	0.02
BISA Argentina S.A. (before Minera San Francisco S.A.)	Argentina	56.42	43.58	56.42	43.58
Contacto Risk Consulting S.A.	Peru	-	98.00	-	98.00
Industrial activities:					
Procesadora Industrial Río Seco S.A.	Peru	100.00	-	100.00	-

(*) As of December 31, 2017 and 2016, the participation of the Company in the voting rights of El Brocal is 61.42 and 61.32 percent, respectively. Inversiones Colquijirca S.A. (hereafter “Colquijirca”), a Group’s subsidiary (99.99 percent as of December 31, 2017 and 2016), has an interest in El Brocal’s capital stock, through which the Group holds an indirect participation in El Brocal of 58.24 as of December 31, 2017 and 2016.

(**) On December 29, 2016, the Board of Directors' and Shareholders' Meetings of Consorcio Energético de Huancavelica S.A. and Empresa de Generación Huaura S.A.C. approved the merger between these subsidiaries whereby Consorcio Energético de Huancavelica S.A. absorbed Empresa de Generación Huaura S.A.C. This merger had not effects in the consolidated financial statements.

(e) Discontinued operations -

During 2017, the Group sold the Breapampa and Recuperada mining units for US$2 million and US$0.6 million, respectively. As a result of such sales, the Group recorded reversals of the provision of impairment loss of long-lived assets and costs for sales of assets and supplies, which originated a net loss of US$4,050,000.

During 2016, the Group sold the Antapite mining unit for US$1,003,000, which resulted in a net loss of US$3,014,000.

During 2017, as a result of the sales in 2017 and 2016, the Group received the confirmation from the Ministry of Energy and Mines of the transfer of its obligation for closure of mining units, which generated a reversal of US$11,770,000.

The net cash flows used by the mining units with discontinued operations for the years 2017, 2016 and 2015, are presented below:

	2017 US$(000)	**2016** US$(000)	**2015** US$(000)
Operating activities	(8)	(7)	(8)
Investing activities	-	-	(6)
Financing activities	-	-	-
Net decrease in cash and cash equivalents during the year	(8)	(7)	(14)

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The results of the discontinued operations mining units for the years 2017, 2016 and 2015 are presented below:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Operating income			
Net sales	-	1,149	22,740
Total income	-	1,149	22,740
Operating costs			
Cost of sales, excluding depreciation and amortization	-	(4,842)	(19,540)
Exploration	-	(3,777)	(1,847)
Depreciation and amortization	-	(5,049)	(9,882)
Mining royalties	-	(11)	(223)
Total operating costs	-	(13,679)	(31,492)
Gross loss	-	(12,530)	(8,752)
Operating income (expenses), net			
Net loss in sale of mining units	(18,550)	(3,014)	-
Changes in provision for closure of mining units, note 15(b)	(12,701)	(3,365)	(45)
Administrative expenses	(941)	(111)	(2,234)
Reversal (provision) for contingencies	(423)	901	(381)
Gain (loss) for sale in other assets	(162)	3,200	-
Reversal of Impairment loss of long-lived assets for sale of mining units and other assets, note 11(a)	17,197	-	-
Reversal of provision for closure of mining units for sale of mining units, note 15(b)	11,700	-	-
Reversal of provision for impairment of inventories, note 8(b)	1,345	706	1,474
Impairment loss of long-lived assets, note 11(b)	-	(2,043)	(7,452)
Other, net	(6,871)	(1,793)	(2,079)
Total operating expenses, net	(9,406)	(5,519)	(10,717)
Operating loss	(9,406)	(18,049)	(19,469)
Other income (expense), net			
Finance costs, note 15(b)	(694)	(970)	(890)
Net gain (loss) from currency exchange difference	2	(50)	129
Total other expenses, net	(692)	(1,020)	(761)
Loss before income tax	(10,098)	(19,069)	(20,230)
Income tax	-	(4)	(3)
Loss from discontinued operations	(10,098)	(19,073)	(20,233)
Loss from the discontinued operations, per basic and diluted share, express in U. S. dollars	(0.04)	(0.07)	(0.08)

2. Basis for preparation, consolidation 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).

The consolidated financial statements have been prepared on a historical cost basis, based on the records of the Company, except for the derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements require that Management use judgments, estimates and assumptions, as detailed on the following note 3.

These consolidated financial statements provide comparative information in respect of prior periods.

2.2. Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries to the date of the statements of 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To 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, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights or a combination of rights.

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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. Changes in accounting policies and disclosures -

Certain standards and amendments applied for the first time in 2017; however, they did not have material impact on the annual consolidated financial statements of the Group and therefore, have not been disclosed. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.4. Summary of significant accounting policies –

(a) Foreign currencies -

The consolidated financial statements are presented in US dollars, which is also the Group's functional currency.

For each entity, the Group determines the functional currency and the items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currency (a currency other than the functional currency) are initially recorded by the Group at the exchange rates prevailing at the dates of the transactions, published by the Superintendence of Banking and Insurance and Pension Fund Administrators (AFP for its acronym in Spanish).

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Gains or losses from exchange differences arising from the settlement or translation of monetary assets and liabilities are recognized in the consolidated statements of profit or loss.

Non-monetary assets and liabilities recognized in terms of historical cost are translated using the exchange rates prevailing at the dates of the initial transactions.

(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 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.

Subsequent measurement -
For purposes of 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 instruments as defined by IAS 39.

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

Derivatives embedded 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 assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. The losses arising from impairment are recognized in the consolidated statements of profit or loss.

This category generally applies to trade and other receivables, net.

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 investment as of December 31, 2017 and 2016.

Available-for-sale financial assets -
The available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group did not have these financial assets as of December 31, 2017 and 2016.

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:

- The rights to receive cash flows from the asset have expired.
- 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 risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, 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.

Impairment of financial assets -
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists for financial assets that are individually significant, or collectively for financial assets that are individually insignificant.

The amount of any impairment loss in the impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discount at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statements of profit or loss. Interest income (recorded as revenue in the statements of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the interest rate used 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 a future recovery and all collateral has been realized or has been 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. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statements of profit or loss.

(ii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, accounts payable, financial obligations, 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 interest-bearing loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial obligations, derivatives financial instruments and embedded derivatives.

Subsequent measurement -
The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Except for the embedded derivative for concentrate sales, the Group has not designated any financial liability in this category.

Loans and borrowings -
After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of profit and cost when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the consolidated statements of profit or loss.

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

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

(iii) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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.

(c) Cash and cash equivalents -
Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

(d) Inventories -
Materials and supplies are valued at the lower of cost or net realizable value.

Cost is determined using the average method. In the case of finished goods and work in progress, cost includes the cost of materials and direct labor and a portion of indirect manufacturing expenses, excluding borrowing costs.

The current portion of the inventories is determined based on the expect amounts to be processed within the next twelve months. Inventories not expected to be processed within the next twelve months are classified as long-term.

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

Provision (reversal) for losses on the net realizable value are calculated based on a specific analysis conducted annually by the Management and is charged to income in the period in which it determines the need for the provision (reversal).

(e) Business combinations and goodwill -
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Classification and Measurement, is measured at fair value, with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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 interests held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified again all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, this difference is allocate 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 acquiree, 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 of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(f) 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 Group's investments in associates are accounted for using the equity method. Under this method, the investment in an associate is initially recognized at cost.

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 not tested for impairment individually.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates.

Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group´s share of profit or loss of an associate is shown on the face of the consolidated statements of profit or loss outside operating profit and represents profit or loss after tax in the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After the application of the equity method, the Group determines whether it is necessary to recognize an impairment loss of its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statements of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of profit or loss.

(g) Prepaid expenses -

Non-monetary assets which represent an entity's right to receive goods or services are presented as prepaid expenses. The asset is subsequently derecognized when the goods are received and the services are rendered.

(h) Property, plant and equipment -

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

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the obligation for mine closing and, borrowing costs for qualifying assets. The capitalized value of a finance lease is also included in this caption.

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

Depreciation -

Unit-of-production method:

In mining units with long useful lives, depreciation of assets directly related to the operation of the mine is calculated using the units-of-production method, which is based on economically recoverable reserves of the mining unit. Other assets related to these mining units are depreciated using the straight-line method with the lives detailed in the next paragraph.

Straight-line method:

Depreciation of assets in mining units with short useful lives or used for administrative purposes is calculated using the straight-line method of accounting. The useful lives are the following:

	Years
Buildings, construction and other	Between 6 and 20
Machinery and equipment	Between 5 and 10
Transportation units	5
Furniture and fixtures	10
Computer equipment	4

The 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.

Disposal of assets -

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 statements of profit or loss when the asset is derecognized.

(i) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee -
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if 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 statements 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 lease payments are recognized as operating expenses in the consolidated statements of profit or loss on a straight-line basis over the lease term.

Group as a lessor -
Leases in which the Group does not transfer substantially all the risk and rewards of ownership of an asset are classified as operating leases.

Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(j) Mining concessions -
Mining concessions represent ownership of the right of exploration and exploitation to the Group on mining properties contains ore reserves acquired. Mining concessions are stated at cost and are amortized on units of production method, using as the basis of proven and probable reserves. If the Group leaves these concessions, the costs associated are written off in the consolidated statements of profit or loss.

Cost includes the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of a business combination.

At end of each year, the Group evaluates if there is any indicator. If any impairment indicator exists, the Group estimates the asset’s recoverable amount.

Mining concessions are presented in the caption of mining concessions, development costs, property, plant and equipment, net.

(k) Exploration and mine development costs –

Exploration costs -

Exploration costs are expensed as incurred. These costs primarily include materials and fuels used, surveying costs, drilling costs and payments made to the contractors.

Exploration and evaluation activity includes:

- 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.

Development costs –

When the Group's Management approves the feasibility of the conceptual study of a project, the costs incurred to develop such property, including additional costs to delineate the ore body and remove impurities it contains, are capitalized as development costs under the caption mining concessions, development costs and property, plant and equipment, net. These costs are amortized when production begins, on the units-of-production basis over the proven and probable reserves.

The development costs include:

- Metallurgical and engineering studies.
- Drilling and other costs necessary to delineate ore body.
- Removal of the initial clearing related to an ore body.

Development costs necessary to maintain production are expensed as incurred.

(l) Stripping (waste removal) costs -

As part of its mining operations, the Group incurs waste removal costs (stripping costs) during the development and production phases of its mining operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine starts production.

Stripping costs incurred during the production phase (production stripping costs) are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping activity asset, if the 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.
- The costs associated with the improved access can be reliably measured.

To identify components of deposit, the Group works closely with the operating personnel to analyze the mine plans. Mostly, an ore body can have several components. The mine plans, and therefore, the identification of components, will vary among mines for a number of reasons.

The stripping activity asset is initially measured at cost, which surges from an accumulation of costs directly incurred during the stripping activity. The production stripping cost is presented within mining concessions, development costs, property, plant and equipment, net in the consolidated statements of financial position.

The production stripping cost is subsequently depreciated using the units of production method over the expected useful life of the component identified of the ore body that has been made more accessible by the activity. This cost is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

(m) Investment properties –

Investment properties are measured at cost, net of accumulated depreciation and impairment loss, if any.

Depreciation of the investment properties is determined using the straight-line method with useful life of 20 years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use.

For a transfer from investment property to an item of property, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(n) Impairment of non-financial assets -

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit' (CGU) fair value less costs of disposal and its value in use. 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 is considered impaired and is written down to its recoverable amount.

In assessing value in use, 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. In determining fair value less cost of disposal, recent market transactions 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 statements of profit or loss in expense categories consistent with the function of the impaired asset.

For assets in general, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the 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 or CGU’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of profit or loss.

(o) 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 a finance cost.

Provision for closure of mining units -

When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets (property, plant and equipment). Over time, the discounted liability is increased for the change in present value based on discounted rates that reflects current market assessments and the risks specify to the liability, in addition, the capitalized cost is depreciated and/or amortized based on the useful life of the asset. Any gain or loss resulting from the settlement of the obligation is recorded in the current results.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the related asset. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of the asset. If it does, any excess over the carrying amount is taken immediately to the consolidated statements of profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment, in accordance with IAS 36 "Impairment of Assets".

For closed mines, changes to estimated costs are recognized immediately in the consolidated statements of profit or loss.

(p) Treasury shares -

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional capital in equity. The voting rights related to treasury shares are cancelled for the Group and no dividends on such shares are allocated.

(q) Revenue recognition -

Revenue is recognized to the extent that 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:

Sales of concentrates and metals -

Revenue from sale of concentrates and metals is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, based on the commercial terms agreed.

Contract terms for the Company's sale of metal in concentrate to customers allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Adjustments to the sales price occurs based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

Sales contracts for metal in concentrate that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted with final liquidations. The embedded derivative is originated by the metals prices since the date of issuance of issuance of the provisional liquidation until the date of issuance of the final liquidation.

The embedded derivative, which does not qualify for hedge accounting, is initially recognized at fair value with subsequent changes in the fair value recognized in the consolidated statements of profit or loss until final settlement, and presented as part of net sales. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

Interest income -
For all financial instruments 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 payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of profit or loss.

Royalty income -
The royalty income is recognized in accordance with the accrual method considering the substance of the relevant agreement.

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

Revenue from engineering and construction services -
Revenue is recognized based on the stage of completion of contracts for existing services. The stage of completion is measured by reference to services performed to date as a percentage of total services to be performed by each contract.

Rental income -

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature.

(r) Benefits to employees -

Salaries and wages, bonuses, post-employment benefits and vacations are calculated in accordance with IAS 19, "Employee Benefits" and are calculated in accordance with current Peruvian legislation based on the accrual basis.

Workers’ profit sharing

The Group recognizes workers’ profit sharing in accordance with IAS 19, “Employees Benefits". Workers' profit sharing is calculated in accordance with the Peruvian law (Legislative Decree No. 892), and the applicable rate is 8% over the taxable net base of current year. According to Peruvian law, the limit in the workers' profit sharing that an employee can receive is equivalent to 18 months of wages, and any excess above such limit has be transferred to the Regional Government and “National Fund for Employment’s Promotion and Training” (“FONDOEMPLEO”).

(s) Borrowing costs -

Costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as finance part of the cost of an asset. A qualifying asset is one whose value is greater than US$5 million and requires a longer period to 12 months to get ready for its intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

(t) Taxes -

Current income tax -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid or the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements 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 income 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 income tax liabilities are recognized for all taxable temporary differences, except for 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 income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that 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.

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 items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Peruvian mining royalties and special mining tax -
Mining royalties and special mining tax are accounted for in accordance with IAS 12 “Income Tax” because they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable 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 effect on the date of the consolidated statements of financial position.

Therefore, obligations arising from Mining Royalties and Special Mining Tax are recognized as income tax under the scope of IAS 12. Both, Mining Royalties and Special Mining Tax generated deferred assets and liabilities which must be measured using the average rates expected to apply to operating profit in the quarter in which the Group expects to reverse temporary differences.

Sales tax -

Expenses and assets are recognized net of the amount of sales 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.

(u) Fair value measurement -

The Group measures its financial instruments, such as, derivatives and embedded derivatives, at fair value at the date of the consolidated statements of financial position. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 Group's Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the Group's Management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

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

(v) Derivative financial instruments and hedge accounting -

Initial recognition and subsequent measurement -

The Group uses derivative instruments to hedge its commodity price risk (forward commodity contracts) and its foreign exchange risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

The 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.

(w) Discontinued operations -

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- It is a subsidiary acquired exclusively with a view to re sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Additional disclosures are provided in note 1(e). All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

3. Significant judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and assumptions are continuously evaluated and based on Management´s experience and other facts, including the expectations about future events which are reasonable under current situation. Uncertainty about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of assets and liabilities affected in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

3.1. Judgments

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

(a) Contingencies -

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

(b) Development start date -
The Group assesses the status of each exploration project of its mining units to determine when the development phase begins. One of the criteria used to evaluate the development start date is when the Group determines that the property can be economically developed.

(c) Production start date -
The Group assesses the stage of each mine under development to determine when a mine moves into the production phase. The criteria used to assess the start date are determined based on the unique nature of each mining project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared to the original construction cost estimates.
- Completion of a reasonable period of testing of the mine plant and equipment.
- Ability to produce metal in saleable form (within specifications).
- Ability to sustain ongoing production of metal.

When a mine development /construction project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements. It is also at this point that depreciation or amortization commences.

3.2. Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Determination of mineral reserves and resources -
The Group calculates its reserves using methods generally applied by mining and industry according to international guidelines. All estimated reserves represent estimated quantities of mineral proven and probable that under current conditions can be economically and legally processed.

The process of estimating quantities of reserves is complex and requires making subjective decisions when evaluating all geological, geophysical, engineering and economic information available choices. Reviews could occur on reserve estimates due to, among others, revisions to the data or geological assumptions, changes in prices, production costs and results of exploration activities. Changes in estimated reserves could mainly affect the carrying value of mining concessions, development costs and property, plant and equipment; the charges in result for depreciation and amortization; and the carrying amount of the provision for closure of mining units.

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

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

(c) Mine rehabilitation provision -
The Group assesses its mine rehabilitation provision at each reporting date using a desconted future cash flow method. In determining the amount of the provision, it is necessary to make significant assumtions and estimates, becasuse exist many factors that can affect the final amount of this provision. This factors includes 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 periods in which 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.

(d) Inventories, net -
Inventories are classified in short and long term in accordance with the time that Management estimates will start the production of the concentrate extracted from the mining unit.

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

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

operating costs, among others. These estimates and assumptions are subject to risk and uncertainty.

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

(f) Taxes -
Deferred tax assets are recognized for unused tax losses 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.

(g) Fair value of contingent consideration -
The contingent consideration arising from a business combination is measured at fair value at the date of acquisition, as part of the business combination. If the contingent consideration is eligible to be recognized as a financial liability the fair value is subsequently re-measured at each date of the consolidated financial statements. Determining the fair value of the contingent consideration is based on a model of discounted future cash flows. The key assumptions take into account the likelihood of achieving each goal of financial performance as well as the discount factor.

4. Standards issued but not effective

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

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

During 2017, the Group performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position or equity from the adoption of IFRS 9. In addition, the Group will adopt changes in certain financial instruments.

(a) Classification and measurement

As discussed in more detail in note 2.1(n), the Group recorded an embedded derivative for its sales of metal in concentrate that is disclosure separated from the accounts receivable in the consolidated statement of financial statement. On adoption of IFRS 9, the embedded derivative will no longer be separated from the concentrate receivables as the receivables are not expected to give rise to cash flows that represent solely payments of principal and interest. Instead, the receivables will be accounted for as one instrument and measured at fair value through profit or loss, with subsequent change in fair value recognized in the statement of profit or loss.

There will be no impact on financial liabilities.

For other financial assets currently measured at fair value, the Group will continue to classify and measure these at fair value.

(b) Impairment

IFRS 9 requires the Group to record an expected credit loss for its debt instruments, loans and account receivables measured at fair value, regardless of the period. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables measure at amortized cost. Given the short term nature of these receivables, the Group does not expect these changes will have a significant impact in the consolidated financial statements of the Group.

(c) Hedge accounting

The Group has determined that all hedge transactions that are currently designated as effective hedges will continue to qualify as hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 at the time of transition for those hedges designated as hedges under IAS 39. As IFRS 9 does not change the main principles of how an entity should record the effective hedges, or apply the requirements of IFRS 9 on hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration agreed with the customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the modified retrospective method, under which the accumulated effect of applying this new standard is presented adjusting the beginning balance of accumulated results (January 1, 2018). During 2016, the Group performed a preliminary assessment of IFRS 15, which was followed by a more detailed analysis in 2017.

(a) Sales of mineral

For contracts with customers in which the sale of the mineral is expected to be the only performance obligation, it is expected that IFRS 15 will not have an impact on the income and results of the Group. The Group expects that the income recognition will occur at the moment in which control of the asset is transferred to the client, which generally occurs with the delivery of the goods. At the time of preparing the adoption of IFRS 15, the Group has considered the following:

(i) Provisionally priced sales –

As discussed in note 2.1(q), the Group recognizes an embedded derivative for its concentrates sales at provisional pricing. IFRS 15 does not change the assessment of the impact of these provisional pricing features, which are required to account for in accordance with IFRS 9. Any subsequent changes that arise due to differences between initial and final assay will still be considered within the scope of IFRS 15 and will be subject to the constraint on estimates of variable consideration.

Revenue in respect of the host contract will be recognized when control passes to the customer and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the quotation period (QP) using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price (which is consistent with current practice). When considering the initial assay estimate, the Group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, at the end of the QP. As disclosed above, the assay differences are not usually material to the Group, hence, no change is expected when compared to the current approach. Consequently, at the time the concentrate passes to the client, the Group will recognize a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with IFRS 9.

With respect to the presentation of amounts arising from such provisionally priced contracts, IFRS 15 requires revenue from contracts with customers to be disclosed separately from other types of revenue. This means that revenue recognized from the initial sale must be separately disclosed in the financial statements from any income recognized from subsequent movements in the fair value of the related concentrate receivable. As the Group currently discloses movements in the embedded derivative in “Net sales”, this requirement will have no impact on it. Consistent with current practice, any subsequent changes that arise due to differences between initial and final assay will be recognized as an adjustment to revenue from contracts with customers.

(ii) Impact of shipping terms -

The Group sells a portion of its inventories under commercial terms in which the Group is responsible of the delivery services after the date at which control of the concentrate passes to the client at the port of loading, that is when it crosses the ship´s rail. Under IAS 18, these shipping services are currently not considered to represent a separate service, hence, no revenue is allocated to them. Instead, concentrate revenue is recognized in full at the date the concentrate passes the ship’s rail, and the costs associated with shipping the goods are considered to be part of cost of sales.

Under IFRS 15, the provision of shipping services in these types of arrangements will be a distinct service (and therefore a separate performance obligation) to which a portion of the transaction price should be allocated and recognized over time as the shipping services are provided. The impact of these changes include:

- Deferral of revenue: Some of the revenue currently recognized when the concentrate passes the ship’s rail will be deferred and recognized as the shipping services are subsequently provided; and
- Disclosures: The revenue allocated to shipping services may need to be disclosed separately from concentrate revenue (where material), either on the face of the statement of profit or loss and other comprehensive income or in the notes.

The Group has determined that while these changes will impact some of its arrangements, the overall year on year impact on the timing of revenue recognition will not be material and consequently such revenue will not be disclosed separately.

(b) Presentation and disclosure requirements

In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than the current IFRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the Group’s financial statements. In 2017, the Group continued testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of ’low-value’ assets and short-term leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Group is evaluating the impact of IFRS 16 in its consolidated financial statements and plans to adopt the new standard on the required effective date.

5. Transactions in Soles

Transactions in Soles are completed using exchange rates published by the Superintendent of Banks, Insurance and AFP. As of December 31, 2017, the exchange rates for U.S. dollars published by this Institution were US$0.3088 for buying and US$0.3082 for selling (US$0.2983 for buying and US$0.2976 for selling as of December 31, 2016), and have been applied by the Group for the assets and liabilities accounts, respectively.

As of December 31, 2017 and 2016, the Group presents the following assets and liabilities originally denominated in Soles by its equivalent in U.S. dollars:

	2017 US$(000)	2016 US$(000)
Assets		
Cash and cash equivalents	6,233	6,332
Trade and other receivables	138,487	148,907
Income tax credit	24,779	24,962
Prepaid expenses	1,182	92
	170,681	180,293
Liabilities		
Bank loans	(1,215)	-
Trade and other payables	(87,839)	(130,772)
Income tax payable	(7,088)	(7,262)
Provisions	(35,572)	(11,203)
	(131,714)	(149,237)
Net asset position	38,967	31,056

6. Cash and cash equivalents

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Cash	327	290
Bank accounts (b)	51,953	48,754
Time deposits (c)	162,271	31,500
	214,551	80,544

(b) Bank accounts earn interest at floating rates based on market rates.

(c) As of December 31, 2017 and 2016, time deposits were kept in prime financial institutions, which generated interest at annual market rates and had original maturities of less than 90 days, according to the immediate cash needs of the Group.

7. **Trade and other receivables, net**

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Trade receivables, net (b)		
Domestic clients	102,119	89,811
Foreign clients	119,388	77,254
Related entities, note 29(b)	7,348	7,760
	228,855	174,825
Allowance for doubtful accounts (f)	(22,823)	(22,644)
	206,032	152,181
Other receivables		
Value added tax credit	74,785	96,204
Accounts payables to third parties	27,406	26,705
Refund applications of value added tax (c)	18,450	17,037
Tax deposits (d)	9,733	13,479
Due from for sales of assets, note 16(e)	5,371	5,204
Claims to third parties	3,851	113
Claims to tax authority	2,752	2,492
Restricted bank accounts (e)	2,372	2,087
Accounts receivable from hedge instruments	2,300	-
Advances to suppliers	1,977	908
Related entities, note 29(b)	732	126,669
Other minors	4,675	1,021
	154,404	291,919
Allowance for doubtful accounts (f)	(9,361)	(8,963)
	145,043	282,956
Total trade and other receivables, net	351,075	435,137
Classification by maturity:		
Current portion	306,884	269,089
Non-current portion	44,191	166,048
Total trade and other receivables, net	351,075	435,137
Classification by nature:		
Financial receivables	255,088	319,454
Non-financial receivables	95,987	115,683
Total trade and other receivables, net	351,075	435,137

(b) Trade accounts receivable are denominated in U.S. dollars, are neither due nor impaired, do not yield interest and have no specific guarantees.

(c) This item mainly corresponds current year applications pending to be refunded as of December 31, 2017. In November 2013, Buenaventura filed claims procedures by S/19,500,000 (equivalent to US$5,817,000), in connection with undue offsets made by the Tax Authorities against tax debts of prior years. As of December 31, 2017, the resolution of the appeal process related to the S/19,500,000 claim is pending.

In the opinion of the Management and Group's legal advisors, the tax offset made by the Tax Authorities have no legal support, so there are enough arguments to obtain a favorable outcome in the claim process initiated by Buenaventura.

(d) Corresponds to deposits held in the Peruvian State bank which only can be used to offset tax obligations that companies have with the Tax Authorities.

(e) These balances correspond to restricted bank accounts for payment of financial obligations held by the subsidiary Empresa de Generación Huanza S.A. (hereafter "Huanza"), according to the finance lease signed with Banco de Crédito del Perú in 2009.

(f) Below is presented the movement in the allowance for doubtful accounts:

	2017 US$(000)	**2016** US$(000)	**2015** US$(000)
Beginning balance	31,607	26,520	25,636
Provision of the period, note 24	676	5,087	903
Reversals of the period	(99)	-	(19)
Final balance	32,184	31,607	26,520
Trade receivables	22,823	22,644	21,741
Other receivables	9,361	8,963	4,779
	32,184	31,607	26,520

In the opinion of the Group's Management, the balance of the provision for doubtful accounts is sufficient to cover adequately the risks of failure to date of the consolidated statement of financial position.

8. Inventory, net

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Finished goods	6,151	12,763
Products in process	56,190	66,651
Spare parts and supplies	84,787	63,946
	147,128	143,360
Provision for impairment of value of inventory (b)	(11,603)	(8,386)
	135,525	134,974
Classification by use:		
Current portion	132,287	120,947
Non-current portion	3,238	14,027
	135,525	134,974

Products in process include mineral deposits located in the Tajo Norte mining unit (El Brocal). The detail of this mineral as of December 31, 2017 and 2016 is presented below:

	2017		2016	
	US$(000)	DMT	US$(000)	DMT
Mineral in stock piles	7,173	463,746	16,793	1,085,696
Fresh mineral in plant	11,983	835,613	1,248	74,260
Tail mineral	279	30,110	203	24,629
	19,435	1,329,469	18,244	1,184,585
Provision for impairment of value in mineral classified in process	(1,467)	-	(123)	-
	17,968	1,329,469	18,121	1,184,585
Classification by use:				
Current portion	14,730		5,586	
Non-current portion	3,238		12,535	
	17,968		18,121	

As part of the preparation of the mining unit to extract and process ore at a volume of 18,000 DMT/ day, Management of El Brocal decided to accumulate mineral with metal content in the proximity of the Tajo Norte mine, which has been treated since the first quarter of 2015.

(b) The provision for impairment of value of inventory had the following movement during the years 2017, 2016 and 2015:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Beginning balance	8,386	20,472	7,735
Transfer from mining units held for sale	-	1,448	-
Changes in provision for impairment of finished goods, (continuing operations), note 21(a)	2,118	(7,581)	13,096
Changes in provision for impairment of finished goods (discontinued operations), note 1(e)	(1,345)	(706)	(1,474)
Changes in provision for impairment of spare parts and supplies	2,444	(110)	1,115
Reversal in provision for impairment of inventories	-	(5,137)	-
Final balance	11,603	8,386	20,472

In the opinion of Group's Management, the provision for impairment of value of inventory adequately covers this risk as of the date of the consolidated statements of financial position.

9. Prepaid expenses

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Prepaid rentals (b)	28,349	29,235
Prepaid insurances	12,401	6,055
Deferred costs of works for taxes	2,013	1,801
Deferred royalties and rentals of mining concessions	387	2,377
Other prepaid expenses	1,956	2,355
	45,106	41,823
Classification by maturity:		
Current portion	17,551	11,392
Non-current portion	27,555	30,431
	45,106	41,823

(b) This item corresponds to the balance of an original prepayment of US$31 million for the lease of hydraulic installations by the subsidiary Empresa de Generacion Huanza S.A. This prepayment is being charged to results during the life of the underlying assets (35 years) since January 2015.

10. Investments in associates

(a) This caption is made up as follows:

	Share in equity			
	2017	2016	2017	2016
	%	%	US$(000)	US$(000)
Sociedad Minera Cerro Verde S.A.A.	19.584	19.584	1,124,008	1,055,488
Minera Yanacocha S.R.L.	45.95	43.65	324,861	402,866
Compañía Minera Coimolache S.A.	40.095	40.095	86,183	74,734
Other minor investments			1,835	3,519
			1,536,887	1,536,607

(b) The table below presents the net share in profit (loss) of associates:

	2017	2016	2015
	US$(000)	US$(000)	US$(000)
Minera Yanacocha S.R.L.	(76,585)	(455,598)	(196,510)
Sociedad Minera Cerro Verde S.A.A.	68,521	66,763	6,518
Compañía Minera Coimolache S.A.	21,271	23,514	16,617
	13,207	(365,321)	(173,375)

Investments held by the Group in its associates Minera Yanacocha S.R.L. (through its subsidiary Compañía Minera Condesa S.A.) and Sociedad Minera Cerro Verde S.A.A., represent the most significant investments of the Group. Its operations are strategic to the Group's activities and participation in their results has been significant in relation to profits (losses) of the Group in the years 2017, 2016 and 2015. The following relevant information on these investments is as follows:

Investment in Minera Yanacocha S.R.L.-

The Company, through its subsidiary Compañía Minera Condesa S.A., has an interest of 45.95 percent of Minera Yanacocha S.R.L. (hereinafter “Yanacocha”). Yanacocha is engaged in gold production and exploration and development of gold and copper in their own concessions or owned by S.R.M.L. Chaupiloma Dos de Cajamarca (subsidiary of the Group), with which signed a contract of use of mineral rights.

In addition, Yanacocha owns the Conga project which consists in two deposits of gold and porphyry of copper located at northeast of Yanacocha operating area in the provinces of Celendín, Cajamarca and Hualgayoc (Peru).

Because of local communities and political protests for potential water impacts of the project development activities and construction the projects are suspended since November 2011. To date, Yanacocha’s management has been making only water support activities recommended by independent experts, mainly the construction of water reservoirs, before carrying out any development project.

In December 2017, Yanacocha acquired 63.92 million of shares (share of 5%) held by International Finance Corporation (IFC) in Yanacocha, for an amount of US$47.9 million. After this transaction, Buenaventura's share in Yanacocha increased from 43.95 percent to 45.95 percent. As a result of that acquisition, the Company recognized a higher value with respect to Yanacocha's equity participation.

The table below presents key financial data from the financial statements of Yanacocha under IFRS:

	2017 US$(000)	2016 US$(000)
Statements of financial position as of December 31:		
Current assets	1,055,135	1,107,893
Non-current assets	964,260	937,992
Current liabilities	123,315	(135,136)
Non-current liabilities	(1,236,965)	(1,025,025)
Shareholders' equity, reported	659,115	885,724
Groups' interest (45.95% in 2017 and 43.65% in 2016)	302,863	386,618
Goodwill	21,998	16,248
	324,861	402,866

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Statements of profit or loss as of December 31,			
Net sales	645,176	761,193	1,031,174
Other operating income	21,870	17,713	10,625
Costs of sales	(746,918)	(776,394)	(758,033)
Cost of other operating income	(2,062)	(2,951)	(2,524)
Operating expenses	(63,514)	(71,496)	(82,846)
Administrative expenses	(4,760)	(8,780)	(20,028)
Selling expenses	(3,921)	(3,695)	(3,534)
Impairment loss of long-lived assets	-	(889,499)	-
Finance income (costs)	(17,935)	(12,975)	(22,061)
Gain (loss) from currency exchange difference	3,636	(13,741)	(251)
Income (loss) before income tax	(168,428)	(1,000,625)	152,522
Income tax	(7,026)	(43,127)	(602,717)
Net loss reported	(175,454)	(1,043,752)	(450,195)
Group's interest (43.65%)	(76,585)	(455,598)	(196,510)

Evaluation of impairment in investments –
During 2017, the Yanacocha´s Management evaluated and concluded that there are no indicators of impairment of its long-lived assets; in addition, the Group's management determined that there was no objective evidence that its investment in Yanacocha might be impaired as of December 31, 2017.

In 2016, Yanacocha evaluated the recoverability of its long-lived assets and determined an impairment charge, net of taxes, of US$889.5 million, which reduced Yanacocha's net worth and, therefore, the equity interest of the Company in this associate during the year 2016.

As a result, the Company's Management determined that there was objective evidence that its investment in Yanacocha might be impaired as of December 31, 2016. During 2016, compared to prior years, Yanacocha experienced a decrease in the volume of gold produced, an increase in production costs, and a decrease in operating cash flows, all of which resulted from a depletion of Yanacocha's gold reserves. As a result of these indicators, the Company performed an impairment test in December 2016.

The recoverable amount of the Company's investment in Yanacocha was determined to be US$528.9 million as of December 31, 2016, which was based on a value in use calculation using cash flow projections from Yanacocha's financial budgets from 2017 to 2026. As a result of this analysis, the Company concluded that no additional impairment loss on its investment in Yanacocha was required to be recorded as the recoverable amount exceeded the recorded value of the investment.

Key assumptions
The process of determining the recoverable amount was most sensitive to the following assumptions:

- Production volumes: Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

- Commodity prices: Forecasted commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. As of December 31, 2016, estimated gold prices for the current and long-term periods were as follows: US$1,221/ounce for 2017 and US$1,300/ounce for 2018 and thereafter.

- Discount rate: In calculating the value in use, the Company applied a pre-tax discount rate of 7.1% to the pre-tax cash flows as of December 31, 2016. This discount rate was derived from the Yanacocha's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the investment.

In December 2015, Yanacocha recorded charges for the recovery of its asset for deferred income tax for US$510,000,000 because it considers that it is not probable that there will be a future taxable profit against which deductible temporary differences can be offset.

During 2016, Yanacocha unanimously agreed to distribute dividends to the partners by US$300,000,000, in proportion to their social participation, corresponding to part of the freely available profits accumulated as of December 31, 2014, which were generated in the year 2011.

Investment in Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) -
Cerro Verde is engaged in the extraction, production and marketing of cathodes and copper concentrate from its mining unit that is located in Uchumayo, Arequipa, Peru.

The table below presents the key financial data from the financial statements of Cerro Verde under IFRS:

	2017 US$(000)	**2016** US$(000)
Statements of financial position as of December 31:		
Current assets	1,563,874	1,218,508
Non-current assets	6,127,133	6,417,115
Current liabilities	(510,790)	(293,631)
Non-current liabilities	(1,991,055)	(2,502,711)
Shareholders' equity, reported	5,189,162	4,839,281
Group's interest (19.584%)	1,016,245	947,725
Goodwill	107,763	107,763
	1,124,008	1,055,488

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Statements of profit or loss for the years ended December 31:			
Revenue	3,202,931	2,384,154	1,115,617
Cost of sales	(1,768,238)	(1,553,040)	(862,004)
Sales expenses	(141,669)	(131,391)	(56,215)
Other operating expenses, net	(258,826)	(24,107)	(26,600)
Finance costs	(216,912)	(80,438)	(16,010)
Finance income	5,350	954	512
Net gain (loss) of exchange difference	13,288	7,857	(75,770)
Profit before income taxes	835,924	603,989	79,530
Income tax	(486,043)	(263,082)	(46,246)
Net profit, reported	349,881	340,907	33,284
Group's interest (19.584%)	68,521	66,763	6,518

Market capitalization:

As of December 31, 2017 and 2016, total market capitalization of shares maintained by the Group in Cerro Verde was US$2,036.0 million and US$1,311.3 million, respectively (market capitalization value by each share of US$29.70 and US$19.11, respectively).

Investment in Compañía Minera Coimolache S.A. (Coimolache) -
Coimolache is involved in the production and the sales of gold and silver from its open-pit mining unit located in Cajamarca, Peru.

The table below presents the key financial data from the financial statements of Coimolache under IFRS:

	2017 US$(000)	2016 US$(000)
Statements of financial position as of December 31:		
Current assets	101,668	73,480
Non-current assets	278,866	261,075
Current liabilities	(44,411)	(28,532)
Non-current liabilities	(106,332)	(102,519)
Shareholders' equity, reported	229,791	203,504
Adjustments to conform to the accounting policies of the Group	(14,843)	(17,111)
Shareholders' equity, adjusted	214,948	186,393
Group's interest (40.095%)	86,183	74,734

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Statements of profit or loss for the years ended December 31:			
Revenue	203,790	198,873	177,347
Cost of sales	(121,021)	(107,913)	(104,549)
Administrative expenses	(3,829)	(4,144)	(2,185)
Sales expenses	(946)	(1,128)	(1,111)
Other operating income (expenses), net	(587)	755	765
Finance income	220	38	23
Finance costs	(3,304)	(1,614)	(723)
Exchange difference	(174)	(117)	(1,300)
Profit before income taxes	74,149	84,750	68,267
Income tax	(23,362)	(27,894)	(29,861)
Net profit, reported	50,787	56,856	38,406
Adjustments to conform to the accounting policies of the Group	2,265	1,790	3,039
Net profit, adjusted	53,052	58,646	41,445
Group's interest (40.095%)	21,271	23,514	16,617

11. Mining concessions, development costs, property, plant and equipment, net

(a) Below is presented the movement in cost:

	Balance as of January 1, 2016 US$(000)	Additions US$(000)	Disposals US$(000)	Sales US$(000)	Reclassifications of assets held for sale	Reclassifications and transfers US$(000)	Balance as of December 31, 2016 US$(000)	Additions US$(000)	Disposals US$(000)	Sales US$(000)	Reclassifications and transfers US$(000)	Balance as of December 31, 2017 US$(000)
Cost												
Lands	22,454	162	-	(6)	78	270	22,958	-	-	-	(268)	22,690
Mining concessions	198,009	-	-	-	-	-	198,009	2	-	(15,000)	(31,138)	151,873
Development costs	541,763	82,865	-	-	31,192	(3,428)	652,392	69,335	-	(10,107)	431	712,051
Buildings, constructions and other	1,018,956	581	-	(20)	10,458	79,192	1,109,167	835	(387)	(28,751)	198,387	1,279,251
Machinery and equipment	827,225	46,152	(6,569)	(2,844)	9,425	112,643	986,032	2,579	(3,749)	(50,097)	(5,742)	929,023
Transportation units	10,649	174	(341)	(396)	357	(27)	10,416	11	(190)	(1,079)	788	9,946
Furniture and fixtures	13,429	89	(61)	(88)	359	319	14,047	31	(157)	(487)	468	13,902
Units in transit	26,291	15,797	-	-	-	(12,037)	30,051	2,822	-	-	(28,124)	4,749
Work in progress	68,123	210,915	(352)	-	1,037	(173,935)	105,788	173,333	-	(190)	(177,809)	101,122
Stripping activity asset (e)	106,838	17,631	-	-	-	(2)	124,467	18,282	(13,573)	-	1,271	130,447
Mine closure costs	187,603	34,532	-	-	25,754	-	247,889	10,594	-	(17,195)	-	241,288
	3,021,340	408,898	(7,323)	(3,354)	78,660	2,995	3,501,216	277,824	(18,056)	(122,906)	(41,736)	3,596,342
Accumulated depreciation and amortization:												
Mining concessions	77,450	16	-	-	-	-	77,466	8	-	(13,845)	(23,390)	40,239
Development costs	199,211	18,225	-	-	25,596	(1,396)	241,636	30,886	-	(7,910)	(241)	264,371
Buildings, construction and other	381,441	65,050	-	(9)	8,598	598	455,678	73,314	(115)	(28,208)	6,168	506,837
Machinery and equipment	475,941	81,753	(5,378)	(827)	6,640	(68)	558,061	74,744	(2,662)	(41,595)	(6,099)	582,449
Transportation units	7,932	1,103	(250)	(365)	358	14	8,792	837	(114)	(1,057)	(68)	8,390
Furniture and fixtures	7,577	1,156	(60)	(22)	319	202	9,172	1,109	(152)	(236)	(13)	9,880
Stripping activity asset	12,916	5,813	-	-	-	-	18,729	16,343	-	-	6,623	41,695
Mine closure costs	99,993	22,417	-	-	19,335	(470)	141,275	25,254	-	(8,408)	-	158,121
	1,262,461	195,533	(5,688)	(1,223)	60,846	(1,120)	1,510,809	222,495	(3,043)	(101,259)	(17,020)	1,611,982
Provision for impairment of long-lived assets:												
Mine closure costs	4,080	-	-	-	6,910	-	10,990	17,916	-	(8,785)	-	20,121
Development costs	3,803	-	-	-	5,684	-	9,487	2,864	-	(2,198)	-	10,153
Mining concessions, development costs, property, plant and other	3,372	-	-	-	6,533	-	9,905	840	-	(6,214)	-	4,531
	11,255	-	-	-	19,127	-	30,382	21,620	-	(17,197)	-	34,805
Net cost	1,747,624						1,960,025					1,949,555

(b) Impairment of long-lived assets

In accordance with its accounting policies and processes, each asset or CGU is evaluated annually at year end, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the recoverable amount for each CGU is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, and its eventual disposal, based on the latest life of mine (LOM) plans. These cash flows were discounted using a real pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are obtained from the planning process, including the LOM plans, one-year budgets and CGU-specific studies.

During 2017, the subsidiary La Zanja recorded an impairment loss related to its mining property for US$21,620,000. The principal factor in the impairment loss was the depletion of its reserves.

As a result of the sale of the mining units of Breapampa and Recuperada, as well as the sale of the assets of the Shila Paula mining unit, the Group recorded in 2017 a reversal of impairment losses by US$7.4 million, US$7.1 million and US$2.7 million, respectively, see note 1(e).

During 2016, the Group recorded an impairment loss with respect to its Shila-Paula mining unit for US$2,043,000. As a result of the recoverable amount analysis performed as of December 31, 2015, the Group recognized impairment losses for its mining units La Zanja by US$3,803,000 and Breapampa by US$7,452,000.

Key assumptions

The determination of value in use is most sensitive to the following key assumptions:

- Production volumes
- Commodity prices
- Discount rate

Production volumes: Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

As each producing mining unit has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates.

Commodity prices: Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

Estimates prices for the current and long-term periods that have been used to estimate future cash flows are as follows:

	2018 US$	**2019 - 2022** US$
Gold	1,300.00/Oz	1,300.00/Oz
Silver	17.00/Oz	18.00/Oz
Copper	6,000.00/MT	6,000.00/ MT
Lead	2,250.00/ MT	2,250.00/ MT
Zinc	2,750.00/ MT	2,600.00/ MT

Discount rate: In calculating the value in use, pre-tax discount rates of 8.33%, 9.30% and 5.89% were applied to the pre-tax cash flows of Buenaventura, El Brocal and La Zanja, respectively. These discount rates are derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest bearing borrowings the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data.

(c) The book value of assets held under finance leases, and assets under trustworthy equity, amounted to US$522.0 million as of December 31, 2017 (US$524.6 million as of December 31, 2016) and is presented in various items of property, plant and equipment. During the year 2017 and 2016 no acquisitions of assets under lease agreements were made. Leased assets are pledged as security for the related finance lease liabilities.

(d) The amount of capitalized finance costs during the year 2017 was US$6.3 million (US$7.5 million during the year 2016) and is presented under investing activities in the consolidated statements of cash flows. The average rate used to determine the financial cost to be capitalized was 4.19 percent (3.52 percent during the year 2016).

(e) In mid-2016, a landslide occurred in the west wall of the Tajo Norte; consequently, it was decided not to mine this area due to stability and operational design issues. According to the distribution of reserves, this area (Phase 10) contained 5.5 MT of ore and 9.2 MT of waste valued at US$13,573,000, which were withdrawn from the reserves.

12. Investment properties, net

(a) As of December 31, 2017 and 2016, the investment properties included administrative offices. The movement of cost and accumulated depreciation for the years 2017 and 2016 is presented below:

	Balance as of January 1, 2016 US$(000)	**Addition (reversal)** US$(000)	**Balance as of December 31, 2016** US$(000)	**Additions** US$(000)	**Sales** US$(000)	**Balance as of December 31, 2017** US$(000)
Cost	12,103	(92)	12,011	157	(11,826)	342
Accumulated depreciation	(1,384)	(538)	(1,922)	(462)	2,264	(120)
Net cost	10,719		10,089			222

(b) The Group does not have restrictions in the realization of its investment properties.

(c) During 2017 the fair value of the investment property amounted to US$191,086 (US$23,624,295 during 2016).

(d) As mentioned in note 16(e), the subsidiary Buenaventura Ingenieros S.A. (hereinafter "BISA") sold to a third party its investment properties located in the El Derby Capital Building, district of Surco, for US$11,250,000, with a net cost of US$9.6 million.

(e) During 2017, rental income, from these investment properties amounted to US$234,677 (US$1,821,320 and US$1,710,766 during 2016 and 2015, respectively).

13. Bank loans

The movement of bank loans for the years 2017, 2016 and 2015 is presented below:

	2017 US$(000)	**2016** US$(000)	**2015** US$(000)
Beginning balance	55,000	285,302	40,000
New loans	341,215	200,500	344,503
Disbursements	(300,000)	(442,957)	(90,000)
Exchange difference	-	12,155	(9,201)
Final balance	96,215	55,000	285,302

As of December 31, 2017 and 2016, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 1.15% to 6.85% as of December 31, 2017 (1.92% to 4.14% as of December 31, 2016).

14. Trade and other payables

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Trade payables (b)		
Domestic suppliers	194,742	232,745
Related entities, note 29(b)	15	1,372
	194,757	234,117
Other payables		
Remuneration and similar benefits payable	11,585	9,796
Taxes payable	9,405	16,708
Interest payable	7,152	4,253
Royalties payable to the Peruvian State	4,571	3,670
Dividends payable (c)	730	1,018
Related entities, note 29(b)	62	3
Accounts payable to non-controlling interests	-	15,661
Other liabilities	5,756	4,196
	39,261	55,305
	234,018	289,422
Classification by maturity:		
Current portion	233,355	273,440
Non-current portion	663	15,982
Total trade and other payables	234,018	289,422
Classification by nature:		
Financial payables	220,042	269,044
Non-financial payables	13,976	20,378
Total trade and other payables	234,018	289,422

(b) Trade payables arise mainly from the acquisition of material, supplies and spare parts and services provided by third parties. These obligations have current maturities, accrue no interest and are not secured.

(c) The movement of dividends payable for the years 2017, 2016 and 2015 is presented below:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Beginning balance	1,018	1,044	1,117
Declared dividends to controlling shareholders, note 17(d)	22,099	7,621	-
Dividends paid to controlling shareholders	(22,099)	(7,621)	-
Declared dividends to non-controlling shareholders	6,036	7,400	10,488
Dividends paid to non-controlling shareholders	(6,036)	(7,400)	(10,488)
Expired dividends	(327)	(30)	(4)
Other minor	39	4	(69)
Final balance	730	1,018	1,044

15. Provisions

(a) This caption is made up as follows:

	2017 US$(000)	2016 US$(000)
Provision for closure of mining units and exploration projects (b)	200,183	206,462
Provision for obligations with communities (c)	19,376	4,710
Provision for environmental liabilities	5,534	7,324
Provision for safety contingencies	3,898	2,807
Provision for labor contingencies	2,963	3,395
Workers' profit sharing payable	3,569	8,398
Board of Directors' participation	1,273	1,140
Provision for environmental contingencies	1,233	753
Other provisions	3,695	1,703
	241,724	236,692
Classification by maturity:		
Current portion	76,847	62,502
Non-current portion	164,877	174,190
	241,724	236,692

(b) Provision for closure of mining units and exploration projects -

The table below presents the movement of the provision for closure of mining units and exploration projects:

	2017 US$(000)	2016 US$(000)
Beginning balance	206,462	166,403
Transfer of units held for sale	-	15,851
Sale of mining units, note 1(e)	(11,770)	-
Changes and additions in estimates:		
Discontinued mining units, note 1(e)	12,701	3,365
Continuing mining units, note 11(a)	10,594	34,532
Exploration projects	891	-
Accretion expense:		
Discontinued operations, note 1(e)	215	970
Continuing mining units, note 26(a)	4,382	4,116
Disbursements	(23,292)	(18,775)
Final balance	200,183	206,462
Classification by maturity:		
Current portion	39,826	37,405
Non-current portion	160,357	169,057
	200,183	206,462

The provision for closure of mining units and exploration projects represents the present value of the closure costs that are expected to be incurred between the years 2018 and 2041. These estimates are based on studies prepared by independent advisers that meet the environmental regulations in effect.

The provision for closure of mining units and exploration projects corresponds mostly to activities that must be carried out for restoring the mining units and areas affected by operation and production activities. The principal works to be performed correspond to earthworks, re-vegetation efforts and dismantling of the plants. Closure budgets are reviewed regularly to take into account any significant change in the studies conducted. Nevertheless, the closure costs of mining units will depend on the market prices for the closure works required, which would reflect future economic conditions. Also, the time when the disbursements will be made depends on the useful life of the mine, which will be based on future metals prices.

As of December 31, 2017, the future value of the provision for closure of mining units and exploration projects was US$230.9 million, which has been discounted using annual risk-free rates from minimums of 0.27 and 0.60 to a maximum of 3.55 percent in periods of 1 to 24 years, resulting in an updated liability of US$200.2 million (US$206.5 million as of December 31, 2016). The Group believes that this liability is sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines.

As of December 31, 2017, the Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US$109.6 million (US$117.7 million as of December 31, 2016) to secure current mine closure plans of its mining units and exploration projects up to date.

(c) The provisions for obligations with the communities increased by US$14.6 million, mainly due to the negotiations made by the Company in its operating units.

16. Financial obligations

(a) This caption is made up as follow:

	2017 US$(000)	2016 US$(000)
Compañía de Minas Buenaventura S.A.A. (b)		
BBVA Banco Continental S.A.	61,667	61,667
Banco de Crédito del Perú	61,667	61,667
CorpBanca New York Branch	61,666	61,666
Banco Internacional del Perú	30,000	30,000
ICBC Perú Bank	25,000	25,000
Banco Latinoamericano de Comercio Exterior S.A.	20,000	20,000
Banco de Sabadell, Miami Branch	15,000	15,000
	275,000	275,000
Debt issuance costs	(2,425)	(3,119)
	272,575	271,881
Sociedad Minera El Brocal S.A.A.		
Banco de Crédito del Perú – Finance leaseback (c)	119,464	136,812
Debt issuance costs	(1,377)	-
	118,087	136,812
Mid-term financial obligation (c)	80,000	173
	198,087	136,985
Empresa de Generación Huanza S.A.		
Banco de Crédito del Perú – Finance lease (d)	162,411	176,062
Contacto Corredores de Seguros S.A.		
BBVA Banco Continental S.A. – Finance lease	10	53
Buenaventura Ingenieros S.A.		
Banco de Crédito del Perú – Finance lease (e)	-	7,361
Total financial obligations	633,083	592,342
Classification by maturity:		
Current portion	83,991	40,110
Non-current portion (f)	549,092	552,232
Total financial obligations	633,083	592,342

(b) On June 27, 2016, Buenaventura entered into a long-term finance contract with seven Peruvian and foreign banks, with the following terms and conditions:

- Principal: US$275,000,000.
- Annual interest rate: Three-month Libor plus 3%.
- Term: 5 years since June 30, 2016, with final maturity in June 30, 2021.
- Grace Period: Two years.
- Amortization: 6 semiannual installments of US$39,285,714 since July 2018 and a final payment of US$39,285,716 in June 2021.
- Guarantee: None. The subsidiaries Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A. are the guarantors.

As part of the commitments, the Group must meet certain consolidated financial ratios. The main ratios are the following:

(i) Debt service coverage ratio: Higher than 4.
(ii) Leverage ratio: Less than 4 times since June 30, 2016 until June 30, 2017 and less than 3 times since that date.
(iii) Net consolidated equity value: Higher than US$2,711,388,800.

For the calculation of (i) and (ii), the financial obligations and EBITDA of Empresa de Generación Huanza S.A. are excluded.

Additionally, there is a requirement related to the distribution of dividends (until December 31, 2018: up to 20% of the available net income for the previous period; since January 1, 2019: up to the total of net income for the previous period), according to the execution of the dividend policy of the Company.

The compliance of the terms described above is overseen by the Company´s Management. As of December 31, 2017, the Company complies with the above financial ratios.

(c) Finance leaseback -
On June 9, 2015, the Board of Directors of El Brocal approved the modification of the debt and new payment schedule of the leaseback through sale contracts through the sale of assets with the same value including equipment, machinery and processing plant located in the Colquijirca mining unit. The contracts have the following terms and conditions:

- Principal: US$166,500,000.
- Annual interest rate: Nine-month Libor plus 4.75 percent.
- Term: 5.5 years since September 23, 2015, with final maturity in year 2020.
- Amortization: Through 22 quarterly variable installments.

In connection with the above financing, El Brocal must comply the following financial ratios:

(i) Debt service coverage ratio: Higher than 1.3
(ii) Leverage ratio: Less than 1.0 times.

(iii) Debt ratio:
   a. Less than 2.50 times as of December 31, 2016;
   b. Less than 2.50 times from January 1, 2017 to September 30, 2017;
   c. Less than 2.25 times as of December 31, 2017;
   d. Less than 2.0 times from January 1, 2018.

These sales agreements with a subsequent financial lease are guaranteed by a trust agreement related to collection rights, sales contracts, cash flows for sales contracts and one related to the assets indicated in the contract.

Management of El Brocal has been restructuring its financial obligations, which resulted in a reduction of the interest rates of its short and long-term loans in 2017. In September 2017, the interest rate applicable to the financial lease contract of El Brocal was modified. The new rate is three-month Libor plus 2.75 percent (three-month Libor plus 4.75 percent as of December 31, 2016).

The compliance with the financial ratios described above is monitored by El Brocal's Management. El Brocal's Management obtained a one year waiver for any possible breach of the financial ratios.

Mid-term loan contract -
On October 23, 2017 El Brocal signed a mid-term loan agreement with the Banco de Credito del Peru for US$80,000,000, which accrues interest at an annual rate of 3.65 percent, for a 5-year term. The objective of this financing was the payment of short-term financial obligations maintained with the Banco de Credito del Peru and for working capital.

As part of the commitments agreed, El Brocal must comply with the following financial indicators as of December 31, 2017:

(i) Debt service coverage ratio: Higher than 1.3
(ii) Leverage ratio: Less than 1.0 times.
(iii) Debt ratio: Less than a 2.25 times.

The compliance of the terms described above is overseen by the El Brocal´s Management. El Brocal´s Management obtained a one year waiver for any breach of the financial ratios.

(d) On December 2, 2009, Empresa de Generación Huanza S.A. entered into a finance lease contract with Banco de Crédito del Perú, with the following terms and conditions:

- Principal: US$119,000,000.
- Annual interest rate: Three-month Libor plus 2.75 percent (three-month Libor plus 4.60 percent in 2016).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: Through 26 quarterly variable installments and a final payment of US$44,191,000.

On June 30, 2014, Banco de Credito del Perú extended the finance lease contract above mentioned, through the addition of a new tranche with the following terms and conditions:

- Principal: US$103,373,000.
- Annual interest rate: Three-month Libor plus 2.75 percent (three-month Libor plus 4.70 percent in 2016).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: Through an initial installment of US$18,373,000, 26 quarterly variable installments and a final installment of US$68,905,000.

(e) On June 9, 2015, BISA entered into a finance lease contract with Banco de Credito del Perú, for the construction of administrative offices, with the following terms and conditions:

- Principal: US$14,944,000.
- Annual interest rate: 4.60 percent.
- Term: 5 years and 4 months since April 2014, with final maturity in July 2019.
- Guarantee: Leased property.
- Amortization: Through 64 monthly installments of US$208,000 each.

In October 2017, BISA sold its investment properties for US$11,250,000. Of this total, US$7,196,922 was used by the buyer to prepay, on behalf of Bisa, the finance lease contract with Banco de Credito del Peru; the remaining amount of US$4,053,078 will be collected during the first quarter of 2018.

(f) The long-term portion of the financial obligations held by the Group matures as follows:

	2017 US$(000)	**2016** US$(000)
Between 1 and 2 years	125,215	81,057
Between 2 and 5 years	427,680	474,294
	552,895	555,351
Debt issuance costs	(3,803)	(3,119)
	549,092	552,232

(g) Below is presented the movement:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Beginning balance	592,342	353,710	383,305
New obligations	80,000	275,210	296
Accrual of debt issuance costs capitalized	272	(3,119)	-
Accrual of debt issuance costs in results, note 26(a)	909	-	-
Payments	(32,599)	(33,476)	(29,891)
Sale of asset under lease agreement (e)	(7,196)	-	-
Increase of debt issuance costs, note 26(a)	(480)	-	-
Exchange difference	(165)	17	-
Final balance	633,083	592,342	353,710

17. Shareholders' equity, net

(a) Capital stock -

The Group's share capital is stated in Soles and consists of common shares with voting rights, with a nominal amount of S/10.00 per share. The table below presents the composition of the capital stock as of December 31, 2017 and 2016:

	Number of shares	Capital stock S/(000)	Capital stock US$(000)
Common shares	274,889,924	2,748,899	813,162
Treasury shares	(21,174,734)	(211,747)	(62,665)
	253,715,190	2,537,152	750,497

The market value of the common shares amounted to S/45.00 per share as of December 31, 2017 (S/34.37 per share as of December 31,2016). These shares present trading frequencies of 25 and 10 percent in the years 2017 and 2016, respectively.

(b) Investment shares -

Investment shares have a nominal value of S/10.00 per share. Holders of investment shares are neither entitled neither to exercise voting rights nor to participate in shareholders' meetings; however, they confer upon the holders thereof the right to participate in the dividends distribution in the same manner as common shares. The table below presents the composition of the investment shares as of December 31, 2017 and 2016:

	Number of shares	**Number of shares** S/(000)	**Number of shares** US$(000)
Investment shares	744,640	7,447	2,161
Treasury investment shares	(472,963)	(4,730)	(1,370)
	271,677	2,717	791

The market value of the investment shares amounted to S/22.10 per share as of December 31, 2017 (S/25.00 per share as of December 31, 2016). These shares did not present a trading frequency in 2017 and 2016.

During 2016, the Group purchased 200,000 treasury shares at a market value of US$1,210,000, recording a purchase loss of US$605,000, presented as part of the additional paid-in capital.

(c) Legal reserve -

The Peruvian Corporations Law requires that a minimum of 10 percent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until the latter is equal to 20 percent of the capital stock. This legal reserve can be used to offset losses or may be capitalized, with the obligation, in both cases, to replenish it.

Although, the balance of the legal reserve exceeded the limit mentioned above, the Group increased its legal reserve by US$327,000 in the year 2017 (US$30,000 in the year 2016) related to expired dividends.

(d) Dividends declared and paid -

During 2015, no dividends have been declared or paid. The table below presents the dividends declared and paid in 2017 and 2016:

Meetings	Date	Dividends paid US$(000)	Dividend per share US$
2017 Dividends			
Mandatory Annual Shareholders' Meeting	March 28	15,711	0.056
Less - Dividends of treasury shares		(1,232)	
		14,479	
Board of Directors' Meeting	October 27	8,269	0.030
Less - Dividends of treasury shares		(649)	
		7,620	
		22,099	
2016 Dividends			
Board of Directors' Meeting	October 27	8,269	0.030
Less - Dividends of treasury shares		(648)	
		7,621	

According to the current Law, there are no restrictions for the remittance of dividends or repatriation of capital by foreign investors.

Dividends declared by S.M.R.L. Chaupiloma Dos de Cajamarca corresponding to non-controlling interest were US$6,036,000, US$7,400,000 and US$10,488,000 for the years 2017, 2016 and 2015, respectively.

(e) Basic and diluted profit (loss) per share -

Profit (loss) per share is calculated by dividing net profit (loss) for the period by the weighted average number of shares outstanding during the year.

The calculation of profit (loss) per share attributable to the equity holders of the parent is presented below:

	2017	2016	2015
Profit (loss) net (numerator) - US$	60,823,000	(323,492,000)	(317,210,000)
Total common and investment shares (denominator)	253,986,867	253,986,867	254,186,867
Profit (loss) net per basic share and diluted - US$	0.24	(1.27)	(1.25)

The calculation of profit (loss) per share from continuing operations attributable to the equity holders of the Parent is presented below:

	2017	2016	2015
Profit (loss) net (numerator) - US$	70,921,000	(304,419,000)	(296,977,000)
Total common and investment shares (denominator)	253,986,867	253,986,867	254,186,867
Profit (loss) net per basic share and diluted - US$	0.28	(1.20)	(1.17)

The common and investment shares outstanding at the close of 2017, 2016 and 2015 were 253,986,867, 253,986,867 and 254,186,867, respectively.

18. Subsidiaries with material non-controlling interest

(a) Financial information of subsidiaries that have material non-controlling interest are provided below:

	Country of incorporation and operation	2017 %	2016 %	2015 %
Equity interest held by non-controlling interests:				
Sociedad Minera El Brocal S.A.A.	Peru	38.58	38.67	45.93
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	40.00	40.00	40.00
Minera La Zanja S.R.L.	Peru	46.94	46.94	46.94
		2017 US$(000)	**2016** US$(000)	**2015** US$(000)
Accumulated balances of material non-controlling interest:				
Sociedad Minera El Brocal S.A.A.	Peru	165,032	167,986	172,542
Minera La Zanja S.R.L.	Peru	48,642	55,613	53,271
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	1,693	1,906	2,357
Apu Coropuna S.R.L.	Peru	223	678	-
Other minor	Chile	-	(61)	-
		215,590	226,122	228,170
Profit (loss) allocated to material non-controlling interest:				
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	5,827	6,950	9,244
Sociedad Minera El Brocal S.A.A.	Peru	4,246	(13,426)	(34,991)
Minera La Zanja S.R.L.	Peru	(6,006)	2,342	(32,486)
Apu Coropuna S.R.L.	Peru	(454)	(157)	(102)
Other minor	Chile	(1)	(31)	-
		3,612	(4,322)	(58,335)

During 2017, purchases of shares in the subsidiary Sociedad Minera El Brocal S.A.A. were made for US$621,000, which resulted in an increase in its shares and a dilution of non-controlling shareholders of 0.09%. During 2016, the Company, through the Lima Stock Exchange, made capital contributions to its subsidiary Sociedad Minera El Brocal S.A.A. for S/63.9 million (equivalent to US$18.6 million) and US$45.2 million, which resulted in an increase in its shares and a dilution of non-controlling shareholders for US$5.4 million equivalents to 7.26%.

(b) The summarized financial information of these subsidiaries, before inter-company eliminations, is presented below:

Statements of financial position as of December 31, 2017:

	Sociedad Minera El Brocal S.A.A.	**S.M.R.L. Chaupiloma Dos de Cajamarca**	**Minera La Zanja S.R.L.**	**Apu Coropuna S.R.L.**	**Other minor**	**Total**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Current assets	146,865	6,640	134,758	1,440	665	290,368
Non-current assets	645,729	-	55,873	189	30	701,821
Current liabilities	(159,190)	(2,407)	(38,807)	(143)	(29)	(200,576)
Non-current liabilities	(229,709)	-	(48,201)	(740)	(2)	(278,652)
Total shareholders' equity, net	403,695	4,233	103,623	746	664	512,961
Attributable to:						
Shareholders of the parent	239,925	2,540	54,981	523	664	298,633
Non-controlling interests	165,032	1,693	48,642	223	-	215,590
	404,957	4,233	103,623	746	664	514,223

Statements of financial position as of December 31, 2016:

	Sociedad Minera El Brocal S.A.A. US$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US$(000)	Minera La Zanja S.R.L. US$(000)	Apu Coropuna S.R.L. US$(000)	Other minor US$(000)	Total US$(000)
Current assets	120,291	7,439	155,659	2,301	81	285,771
Non-current assets	642,790	-	90,447	88	500	733,825
Current liabilities	(184,324)	(2,684)	(40,411)	(129)	-	(227,548)
Non-current liabilities	(168,589)	-	(89,278)	-	(2)	(257,869)
Total shareholders' equity, net	410,168	4,755	116,417	2,260	579	534,179
Attributable to:						
Shareholders of the parent	242,182	2,849	60,804	1,582	640	308,057
Non-controlling interests	167,986	1,906	55,613	678	(61)	226,122
	410,168	4,755	116,417	2,260	579	534,179

Statements of profit or loss for the year ended December 31, 2017:

	Sociedad Minera El Brocal S.A.A.	**S.M.R.L. Chaupiloma Dos de Cajamarca**	**Minera La Zanja S.R.L.**	**Apu Coropuna S.R.L.**	**Other minor**	**Total**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Revenues	322,653	20,739	165,319	-	-	508,711
Cost of sales	(254,390)	-	(153,230)	-	-	(407,620)
Administrative expenses	(13,061)	(90)	(2,814)	(92)	(24)	(16,081)
Sales expenses	(10,914)	-	(881)	-	-	(11,795)
Exploration in non-operating areas	(1,975)	-	(2,871)	(680)	-	(5,526)
Other operating expense, net	(2,923)	(1)	(969)	(744)	-	(4,637)
Provision for contingencies	-	-	(1,370)	1	-	(1,369)
Impairment loss of long-lived assets	(13,573)	-	(21,620)	-	-	(35,193)
Finance income	179	7	670	-	-	856
Finance costs	(12,017)	(2)	(1,918)	(1)	-	(13,938)
Net gain (loss) for exchange difference	310	(41)	48	1	410	728
Profit (loss) before income tax	14,289	20,612	(19,636)	(1,515)	386	14,136
Income tax	(3,903)	(6,044)	6,841	-	-	(3,106)
Net profit (loss)	10,386	14,568	(12,795)	(1,515)	386	11,030
Attributable to non-controlling interests	4,246	5,827	(6,006)	(454)	(1)	3,612
Dividends paid to non-controlling interests	-	6,036	-	-	-	6,036

Statements of profit or loss for the year ended December 31, 2016:

	Sociedad Minera El Brocal S.A.A.	**S.M.R.L. Chaupiloma Dos de Cajamarca**	**Minera La Zanja S.R.L.**	**Apu Coropuna S.R.L.**	**Other minor**	**Total**
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Revenues	230,611	24,339	178,922	-	-	433,872
Cost of sales	(234,594)	(16)	(150,039)	-	-	(384,649)
Administrative expenses	(11,802)	(112)	(1,980)	(4)	-	(13,898)
Sales expenses	(10,650)	-	(938)	-	-	(11,588)
Exploration in non-operating areas	(1,939)	-	(4,619)	(524)	-	(7,082)
Other operating expense, net	309	11	4,237	-	(410)	4,147
Finance income	256	-	87	-	-	343
Finance costs	(12,554)	(2)	(2,614)	-	-	(15,170)
Net gain (loss) for exchange difference	(270)	(93)	65	5	-	(293)
Profit (loss) before income tax	(40,633)	24,127	23,121	(523)	(410)	5,682
Income tax	7,851	(6,761)	(18,256)	-	-	(17,166)
Net profit (loss)	(32,782)	17,366	4,865	(523)	(410)	(11,484)
Attributable to non-controlling interests	(13,426)	6,950	2,342	(157)	(31)	(4,322)
Dividends paid to non-controlling interests	-	7,400	-	-	-	7,400

Statements of profit or loss for the year ended December 31, 2015:

	Sociedad Minera El Brocal S.A.A. US$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US$(000)	Minera La Zanja S.R.L. US$(000)	Total US$(000)
Revenues	171,294	32,414	161,007	364,715
Cost of sales	(204,556)	(54)	(213,372)	(417,982)
Administrative expenses	(19,168)	(106)	(2,251)	(21,525)
Sales expenses	(9,056)	-	(1,207)	(10,263)
Exploration in non-operating areas	(2,366)	-	(8,954)	(11,320)
Impairment loss of long-lived assets	-	-	(3,803)	(3,803)
Other operating expense, net	(2,657)	-	(687)	(3,344)
Finance income	154	-	16	170
Finance costs	(10,096)	(4)	(3,684)	(13,784)
Net gain (loss) for exchange difference	(3,847)	45	(1,973)	(5,775)
Profit (loss) before income tax	(80,298)	32,295	(74,908)	(122,911)
Income tax	4,109	(9,186)	5,702	625
Net profit (loss)	(76,189)	23,109	(69,206)	(122,286)
Attributable to non-controlling interests	(34,991)	9,244	(32,486)	(58,335)
Dividends paid to non-controlling interests	-	10,488	-	10,488

Statements of cash flow for the year ended December 31, 2017:

	Sociedad Minera El Brocal S.A.A. US$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US$(000)	Minera La Zanja S.R.L. US$(000)	Apu Coropuna S.R.L. US$(000)	Total US$(000)
Operating activities	60,525	15,093	139,155	(185)	214,588
Investing activities	(64,343)	-	(17,326)	-	(81,669)
Financing activities	18,096	(15,090)	(32,077)	1,477	(27,594)
Increase in cash and cash equivalents in the year	14,278	3	89,752	1,292	105,325

Statements of cash flow for the year ended December 31, 2016:

	Sociedad Minera El Brocal S.A.A. US$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US$(000)	Minera La Zanja S.R.L. US$(000)	Apu Coropuna S.R.L. US$(000)	Total US$(000)
Operating activities	(9,151)	18,178	11,839	(1,895)	18,971
Investing activities	(37,935)	-	(14,994)	-	(52,929)
Financing activities	48,021	(18,500)	-	2,717	32,238
Increase (decrease) in cash and cash equivalents in the year	935	(322)	(3,155)	822	(1,720)

Statements of cash flow for the year ended December 31, 2015:

	Sociedad Minera El Brocal S.A.A. US$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US$(000)	Minera La Zanja S.R.L. US$(000)	Total US$(000)
Operating activities	(1,523)	26,474	30,743	55,694
Investing activities	(28,375)	-	(26,761)	(55,136)
Financing activities	31,867	(26,220)	-	5,647
Increase in cash and cash equivalents in the year	1,969	254	3,982	6,205

19. Tax situation

(a) Current tax regime -

The Company and its Peruvian subsidiaries are subject to the Peruvian tax regime.

By means of Law N° 1261 enacted on December 10, 2016, the Peruvian government introduced certain amendments to the Income Tax Law, effective January 1, 2017. The most relevant are listed below:

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

(b) Years open to tax review -

During the four years following the year of filing the tax return, the tax authorities have the power to review and, as applicable, correct the income tax computed by the Group. The Income Tax and Value Added Tax returns for the following years are open to review by the Tax Authorities:

Entity	**Years open to review by the Tax Authorities**
Compañía de Minas Buenaventura S.A.A.	2013-2017
Bisa Construcción S.A. (absorbed by Buenaventura Ingenieros S.A. in 2015)	2014-2015
Buenaventura Ingenieros S.A.	2013, 2015-2017
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. – CEDIMIN (absorbed by the Company in 2013)	2013
Compañía Minera Condesa S.A.	2013-2017
Compañía Minera Colquirrumi S.A.	2013-2017
Consorcio Energético de Huancavelica S.A.	2013-2017
Contacto Corredores de Seguros S.A.	2014-2017
El Molle Verde S.A.C.	2013-2017
Empresa de Generación Huanza S.A.	2013, 2015, 2016, 2017
Inversiones Colquijirca S.A.	2013-2017
Minera La Zanja S.R.L.	2014-2017
Sociedad Minera El Brocal S.A.A.	2014-2017
S.M.R.L. Chaupiloma Dos de Cajamarca	2014-2017
Procesadora Industrial Río Seco S. A.	2014-2017
Apu Coropuna S.R.L.	2013-2017
Cerro Hablador S. A. C.	2013-2017
Minera Azola S. R. L.	2014-2017

As of the date of issuance of this report, Compañía de Minas Buenaventura S.A.A. is been audited by the Tax Administration for the income tax of the year 2014.

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether or not any of the tax audits will result in increased liabilities for the Group. For that reason, any tax or surcharge that could arise from future tax audits would be applied to the income of the period in which it is determined. In management's opinion and its legal advisors, any possible additional payment of taxes in the entities mentioned before would not have a material effect on the consolidated financial statements as of December 31, 2017 and 2016.

The open tax process of the Group and its associates are presented in note 28 (g).

(c) Tax-loss carryforwards -

As of December 2017 and 2016, the tax-loss carryforward determined by the Group amounts to approximately S/1,337,919,000 and S/1,347,159,000, respectively (equivalent to US$412,302,000 and US$415,149,000 respectively). As permitted by the Income Tax Law, the Group has chosen a system that permits to offset these losses with an annual cap equivalent to 50 percent of net future taxable income.

The Group has decided to recognize a deferred income tax asset related to the tax-loss carryforward of those companies where is more likely than not that the tax-loss carryforward can be used to compensate future taxable net income.

(d) Transfer pricing -

For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Group's operations. The Group’s Management and its legal advisers believe that, as a result of the application of these standards, no material contingencies will arise for the Group as of December 2017 and 2016.

20. Net sales

(a) The Group's revenues are mostly from sales of gold and precious metals in the form of concentrates, including silver-lead, silver-gold, zinc and lead-gold-copper concentrates and ounces of gold. The table below presents the net sales to customers by geographic region and product type:

	2017	2016	2015
	US$(000)	US$(000)	US$(000)
Sales and services by geographic region:			
Metal and concentrates sales			
Peru	591,185	401,372	345,146
America	464,000	410,154	419,359
Europe	91,414	109,788	60,549
Asia	77,343	94,356	21,215
	1,223,942	1,015,670	846,269
Services rendered			
Peru	14,903	28,782	50,839
America	14,794	-	-
	29,697	28,782	50,839
	1,253,639	1,044,452	897,108
Sale by metal:			
Gold	511,434	440,603	419,541
Silver	409,775	385,989	313,418
Copper	268,527	224,649	131,356
Zinc	188,023	142,425	102,110
Lead	94,955	58,690	55,445
Manganese sulfate	6,317	5,982	3,649
Indium	66	-	-
	1,479,097	1,258,338	1,025,519
Commercial deductions	(253,939)	(244,414)	(196,145)
Adjustments to prior period liquidations	919	4,611	7,467
Embedded derivatives from sale of concentrate	8,786	880	(388)
Hedge operations	(10,921)	(3,745)	9,816
	1,223,942	1,015,670	846,269
Services rendered	29,697	28,782	50,839
	1,253,639	1,044,452	897,108

(b) Concentration of sales -

In 2017, the three customers with sales of more than 10 percent of total net sales represented 28, 15 and 10 percent from the total net sales of the Group (three customers by 28, 22 and 22 percent during the year 2016 and; two customers by 66 and 22 percent during the year 2015). As of December 31, 2017, 49 percent of the accounts receivable correspond to these customers (46 percent as of December 31, 2016). These customers are related to the mining business.

The Group's sales of gold and concentrates are delivered to investment banks and national and international well-known companies. Some of these clients have long-term sales contracts that guarantee supplying them the production from the Group's mines.

21. Cost of sales, without considering depreciation and amortization

(a) The cost of sales of goods is made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	58,633	69,932	105,944
Cost of production			
Services provided by third parties	262,195	211,325	230,148
Consumption of materials and supplies	134,070	100,401	100,241
Direct labor	87,886	72,344	66,745
Electricity and water	44,345	41,989	34,972
Rentals	26,591	10,852	5,783
Maintenance and repair	22,839	17,792	7,401
Transport	16,254	10,880	9,502
Insurances	6,637	4,347	5,247
Provision (reversal) for impairment of finished goods and product in progress, note 8(b)	2,118	(7,581)	13,096
Cost of concentrate purchased to associates	439	2,958	-
Other production expenses	10,464	9,789	7,078
Total cost of production of the period	613,838	475,096	480,213
Final balance of products in process and finished goods, net of depreciation and amortization	(45,038)	(47,216)	(72,667)
Cost of sales of goods, without considering depreciation and amortization	627,433	497,812	513,490

(a) The cost of services is made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Direct labor	7,398	5,983	18,314
Services provided by third parties	1,782	1,689	16,247
Consumption of materials and supplies	1,026	868	7,865
Maintenance and repair	946	217	637
Electricity and water	586	633	7,134
Rentals	423	480	2,544
Insurances	246	212	1,233
Transport	98	213	3,868
Other	449	459	1,770
Cost of sales of services, without considering depreciation and amortization	12,954	10,754	59,612

22. Exploration in operating units

This caption is made up as follows

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Services provided by third parties	79,837	78,996	72,613
Consumption of materials and supplies	8,236	12,779	10,298
Direct labor	2,373	1,989	2,287
Rentals	1,527	1,603	859
Electricity and water	1,328	21	7
Transport	587	321	238
Maintenance and repair	100	62	30
Insurance	-	116	135
Other minor expenses	940	262	3,232
	94,928	96,149	89,699

23. Mining royalties

This caption is made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Sindicato Minero de Orcopampa S.A., note 28(b)	20,165	19,824	21,942
Royalties paid to the Peruvian State	11,052	7,787	5,246
	31,217	27,611	27,188

24. Administrative expenses

This caption is made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Personnel expenses	36,265	29,617	33,036
Sundry charges	12,510	15,531	21,248
Professional fees	12,663	11,696	10,364
Rentals	5,412	4,870	4,009
Insurance	3,911	3,023	5,105
Donations	3,006	4,280	3,336
Maintenance and repairs	2,657	1,076	973
Subscriptions and quotes	1,428	697	540
Board of Directors' participation	1,422	1,140	1,055
Communications	1,376	1,557	1,281
Travel and mobility	1,053	914	787
Allowance for doubtful accounts, note 7(f)	676	5,087	903
Consumption of materials and supplies	616	416	1,032
Canons and tributes	602	1,460	824
Provision (reversal) of stock appreciation's rights	-	328	(121)
	83,597	81,692	84,372

25. Exploration in non-operating areas

This caption is made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Services provided by third parties	5,401	13,629	18,852
Personnel expenses	4,064	3,908	4,713
Lands	1,781	1,691	-
Rentals	1,171	578	376
Consumption of materials and supplies	582	768	1,436
Transport	144	26	20
Maintenance and repairs	134	72	87
Insurance	27	49	84
Rights	-	3,457	-
Other expenses	4,958	2,411	5,042
	18,262	26,589	30,610

26. Finance costs and finance revenues

(a) These captions are made up as follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Finance revenues:			
Interests on loans to associates, note 29(a)	1,685	4,164	2,286
Interest on time deposits	1,050	358	419
Interests on third parties loans	813	489	492
Interests on tax claims	153	487	1,297
Income from financial instruments	-	743	-
Dividends income	-	589	500
Other finance revenues	43	-	-
	3,744	6,830	4,994
Unrealized variation of the fair value related to contingent consideration liability (b)	1,773	-	6,032
Total finance revenues	5,517	6,830	11,026
Finance costs:			
Interest on borrowings	27,052	18,668	17,875
Interest on loans	1,056	4,643	5,565
Banking expenses	552	319	366
Increase in debt issuance costs, note 16(g)	480	-	-
Tax on financial transactions	180	159	312
Interest on commercial obligations	5	496	120
Other finance costs	7	830	41
	29,332	25,115	24,279
Accrual of debt issuance costs, note 16(g)	909	-	-
Accrual of the present value for mine and exploration project closure, note 15(b)	4,382	4,116	3,293
Unrealized variation of the fair value related to contingent consideration liability (b)	-	2,349	-
Total finance costs	34,623	31,580	27,572

(b) *Contingent consideration -*

On August 18, 2014, Buenaventura acquired from Minera Gold Fields Peru S.A. ("Gold Fields") 51 percent of the voting shares of Canteras del Hallazgo S.A.C., which represent the whole interest of Gold Fields in the equity of such entity.

Canteras del Hallazgo is a privately-held entity incorporated in 2009 and owner of the Chucapaca project, which is located in the Ichuña district, in the General Sanchez Cerro province, in the Moquegua department, Peru. According to previously performed studies, there is evidence of the existence of gold, silver, copper and antimony in the area, specifically in the Canahuire deposit.

The purchase and sale agreement considered a contingent consideration of US$23,026,000, which corresponds to the present value of the future royalty payments equivalent to 1.5 percent over the future sales of the minerals arising from the mining properties acquired. The fair value has been determined using the income approach.

Significant increase (decrease) in the future sales of mineral would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. Changes in the fair value of this contingent consideration have been recognized through profit or loss in the consolidated statement of profit or loss.

As of December 31, 2017, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2017 reflects this assumption and changes in metal prices.

A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	2017 US$(000)	**2016** US$(000)	**2015** US$(000)
Beginning balance	19,343	16,994	23,026
Variation of the fair value in results	(1,773)	2,349	(6,032)
Final balance	17,570	19,343	16,994

Significant unobservable valuation inputs are provided below:

	2017	**2016**
Annual average of future sales of mineral (US$000)	193,588	233,278
Useful life of mining properties	13	13
Discount rate (%)	10	10

The Group has the preferential right of acquisition of the royalty in case Gold Fields decides to sell it.

27. Deferred income tax

(a) The Group recognizes the effects of timing differences between the accounting and tax basis. This caption is made up as follows:

	As of January 1, 2016 US$(000)	Credit (debit) to the Consolidated statement of profit or loss US$(000)	Credit (debit) to consolidated statements of other comprehensive income US$(000)	As of December 31, 2016 US$(000)	Credit (debit) to the Consolidated statement of profit or loss US$(000)	Credit (debit) to consolidated statements of other comprehensive income US$(000)	As of December 31, 2017 US$(000)
Deferred asset for income tax included in results							
Tax - loss carryforward	78,409	14,641	-	93,050	1,889	-	94,939
Difference in depreciation and amortization rates	52,377	8,506	-	60,883	734	-	61,617
Provision for closure of mining units, net	32,644	6,894	-	39,538	5,030	-	44,568
Impairment loss of long-lived assets	5,185	2,407	-	7,592	2,328	-	9,920
Environmental liability for Santa Barbara mine	1,556	13	-	1,569	(273)	-	1,296
Other minor	14,866	(1,785)	-	13,081	1,082	-	14,163
	185,037	30,676	-	215,713	10,790	-	226,503
Less - Allowance for deferred asset	(18,166)	(18,846)	-	(37,012)	(1,898)	-	(38,910)
	166,871	11,830	-	178,701	8,892	-	187,593
Deferred asset included in retained earnings							
Derivative financial instruments	2,441	-	(1,301)	1,140	-	7,963	9,103
	169,312	11,830	(1,301)	179,841	8,892	7,963	196,696
Deferred assets for mining royalties and special mining tax included in results							
Exploration expenses	(326)	364	-	38	(38)	-	-
Other minors	185	(180)	-	5	118	-	123
	(141)	184	-	43	80	-	123
Total deferred asset	169,171	12,014	(1,301)	179,884	8,972	7,963	196,819
Deferred liability for income tax included in results							
Effect of translation into U.S. dollars	(73,537)	3,012	-	(70,525)	24,502	-	(46,023)
Differences in amortization rates for development costs	(32,304)	(19,484)	-	(51,788)	6,095	-	(45,693)
Other minors	(34,582)	(9,403)	-	(43,985)	(33,618)	-	(77,603)
	(140,423)	(25,875)	-	(166,298)	(3,021)	-	(169,319)
Deferred liability for mining royalties and special mining tax							
Other minors	164	(199)	-	(35)	(126)	-	(161)
	164	(199)	-	(35)	(126)	-	(161)
Total deferred liability	(140,259)	(26,074)	-	(166,333)	(3,147)	-	(169,480)
Deferred income tax asset, net	28,912	(14,060)	(1,301)	13,551	5,825	7,963	27,339

(b) The deferred tax asset is presented in the consolidated statement of financial position:

	2017 US$(000)	2016 US$(000)
Deferred income tax asset, net	43,129	25,881
Deferred income tax liability, net	(15,790)	(12,330)
	27,339	13,551

(c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2017, 2016 and 2015:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Current	(23,837)	(39,444)	(14,222)
Deferred	5,825	(14,060)	(541)
	(18,012)	(53,504)	(14,763)

(d) Below is a reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate for the years 2017, 2016 and 2015:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Profit (loss) before income tax	92,545	(255,237)	(340,549)
Loss before income tax for discontinued operations	(10,098)	(19,073)	(20,230)
Profit (loss) before income tax	82,447	(274,310)	(360,779)
Theoretical loss (gain) for income tax	24,322	(76,807)	(101,018)
Permanent items and others:			
Effect of translation into U.S. dollars	(24,502)	(3,012)	42,044
Share in the results of associates	(3,896)	102,290	48,545
Mining royalties and special mining tax	(1,538)	247	663
Permanent items	16,513	6,577	4,447
Allowance of deferred tax asset	1,898	18,846	13,929
Effect of change in income tax rate net	-	(1,431)	2,347
Income tax expense	12,797	46,710	10,957
Mining Royalties and Special Mining Tax	5,215	6,794	3,806
Total income tax	18,012	53,504	14,763

(e) Related to the investment in associates, the Group has not recognized a deferred income tax asset by US$257.3 million as of December 31, 2017, originated by the difference between the financial and taxable basis of these investments (US$257.5 million as of December 31, 2016). Management believes that the timing differences will be reversed in the future without taxable effects. There is no legal or contractual obligation that would require the Company's Management to sell its investment in its associates (which event would result in a taxable capital gain based on current tax law).

28. Commitments and contingencies

Commitments

(a) Environmental -

The Group's exploration and exploitation activities are subject to environmental protection standards.

Law No. 28090 regulates the obligations and procedures that must be met by the holders of mining activities for the preparation, filing and implementation of Mine Closure Plans, as well as the establishment of the corresponding environmental guarantees to secure fulfillment of the investments, subject to the principles of protection, preservation and recovery of the environment.

Law No. 28271 regulates environmental liabilities in mining activities. This Law has the objective of ruling the identification of mining activity's environmental liabilities and financing the remediation of the affected areas. According to this law, environmental liabilities refer to the impact caused to the environment by abandoned or inactive mining operations.

The Group considers that the recorded liability is sufficient to meet the current regulatory environment in Peru.

(b) Leased concessions -

The Group pays 10 percent on the valued production of mineral obtained from the concessions leased by Sindicato Minero Orcopampa S.A. This concession is in force until the year 2043. See note 23.

(c) Letter of guarantee granted by Buenaventura -

Letter of guarantee - Huanza

On December 2, 2009, Banco de Credito del Perú signed a finance lease contract for US$119 million with Consorcio Energético de Huancavelica S.A., Empresa de Generación Huanza S.A. and Buenaventura. This financing is in favor of Empresa de Generación Huanza S.A., and is guaranteed by Buenaventura. On February 8, 2016, the bank released the guarantee granted by Buenaventura.

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(d) Operating lease commitments (the Group as a lessee) -

The Group has entered into operating leases on its administrative offices in Lima located in Las Begonias Street N°415, San Isidro, Lima, Peru, with a lease term of 10 years since the year 2013. The Group has the option to lease the assets for two additional term of 5 years each.

Future minimum rentals payable as of December 31 are the following:

	2017 US$(000)	**2016** US$(000)
Within one year	1,543	1,543
After one year but not more than five years	6,173	6,173
More than five years	1,157	2,701
	8,873	10,417

(e) Operating lease commitments (the Group as a lessee) -

The Group leases for several of its assets. These leases have purchase options. Below is a table showing future minimum lease payments and the present value of these payments:

	2017		**2016**	
	Minimum payments US$(000)	**Present value of payments** US$(000)	**Minimum payments** US$(000)	**Present value of payments** US$(000)
Within a year	56,915	40,224	57,592	40,428
After one year but not more than five years	267,962	241,651	318,643	281,192
Total minimum lease payments	324,877	281,875	376,235	321,620
Less - amounts representing finance charges	(43,002)	-	(54,615)	-
Present value of minimum lease payments	281,875	281,875	321,620	321,620

Contingencies

(f) Legal procedures -

Buenaventura -

Buenaventura is a party in legal procedures that have arisen in the normal course of its activities. Nevertheless, in the opinion of Buenaventura’s Management, none of these procedures, individually or as a whole, could result in material contingencies for the consolidated financial statements.

The possible contingencies amount to US$1.1 million and US$9.9 million as of December 31, 2017 and 2016, respectively.

Minera Yanacocha S.R.L.

Conga Project Constitutional Claim

On October 18, 2012, Marco Antonio Arana Zegarra filed a constitutional claim against the Ministry of Energy and Mines and Yanacocha requesting the Court to order the suspension of the Conga project as well as to declare not applicable the October 27, 2010 directorial resolution approving the Conga project Environmental Impact Assessment ("EIA"). On October 23, 2012, a Cajamarca judge dismissed the claims based on formal grounds finding that: (i) plaintiffs had not exhausted previous administrative proceedings; (ii) the directorial resolution approving the Conga EIA is valid, and was not challenged when issued in the administrative proceedings; (iii) there was inadequate evidence to conclude that the Conga project is a threat to the constitutional right of living in an adequate environment and; (iv) the directorial resolution approving the Conga project EIA does not guarantee that the Conga project will proceed, so there was no imminent threat to be addressed by the Court. The plaintiffs appealed the dismissal of the case. The Civil Court of the Superior Court of Cajamarca confirmed the above mentioned resolution and the plaintiff presented an appeal. On March 13, 2015, the Constitutional Court published its ruling stating that the case should be sent back to the first court with an order to formally admit the case and start the judicial process in order to review the claim and the proofs presented by the plaintiff. Yanacocha has answered the claim. Yanacocha can reasonably predict the outcome of this litigation.

Environmental contingencies

The Peruvian government agency responsible for environmental evaluation and inspection, Organismo Evaluacion y Fiscalizacion Ambiental ("OEFA"), conducts periodic reviews of the Yanacocha site. In 2011, 2012, 2013, 2015, 2016 and 2017, OEFA issued notices of alleged violations of OEFA standards to Yanacocha relating to past inspections. OEFA has resolved with minimal or no findings.

In 2015 and 2016, the water authority of Cajamarca issued notices of alleged regulatory violations, and resolved some allegations in 2017 with no findings. The experience with OEFA and the water authority is that in the case of a finding of violation, remedial action is often the outcome rather than a significant fine.

The alleged OEFA violations currently range from zero to 11,310 tax units and the water authority alleged violations range from zero to 10,054 tax units, being each tax unit equivalent to approximately US$1,224 based on current exchange rates. Yanacocha is responding to all notices of alleged violations, but cannot reasonably predict the outcome of the agency allegations.

(g) Open tax procedures –

Buenaventura -

During 2012 and 2014, SUNAT reviewed the income tax for 2007 and 2008. As a result, SUNAT does not recognize tax declared deductions by S/1,056,310,000 (equivalent to US$325,516,000) in the year 2007 and S/1,530,985,000 (equivalent to US$471,798,000) for the year 2008. The main unrecognized deduction is the payment made for the removal of the price component of its commercial contracts of gold. In the opinion of management and its legal counsel, the objections are unfounded so Buenaventura should get a favorable result in the initiated claim process.

During 2015, SUNAT reviewed the income tax of 2009 and 2010. As a result, they did not recognize Buenaventura declared tax deductions by S/76,023,000 (equivalent to US$23,428,000). The main unrecognized deductions by Buenaventura are: the non-deductibility of bonuses paid to contractors, a provision of doubtful accounts not accepted as an expense and income unduly deducted. The possible contingencies for the year 2009 and 2010 amount to S/607,721,000 (equivalent to US$187,279,000) as of December 31, 2017. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

Subsidiaries –

Buenaventura Ingenieros S.A. -

During 2015, SUNAT reviewed the income tax of the subsidiary Buenaventura Ingenieros S.A (BISA) for the fiscal years 2011 and 2012. The main unrecognized deductions are related to the deduction of bonuses paid to staff as well as the omission of income from transfer of fuel to suppliers. These deductions amount to S/20,934,000 (equivalent to US$6,451,000).

In 2016, SUNAT partially resolved the claim process related to the deduction of bonuses paid to staff for S/12,611,000 (equivalent to US$3,886,000). In addition, SUNAT requires the payment of the value added tax related to presumably omitted income from transfer of fuel to suppliers, which are currently in process of appeal to the Tax Court.

The possible contingencies for income tax for the years 2011 and 2012 amount to S/6,252,000 (equivalent to US$1,927,000) and for the value added tax amount to S/4,077,000 (equivalent to US$1,256,000) as of December 31, 2017. In the opinion of Management of this subsidiary and its legal advisors, BISA should get a favorable result in the initiated claim process initiated in 2016 (for income tax of the year 2011 and 2012 and the valued added tax of the years 2011 and 2012).

Sociedad Minera El Brocal S.A.A. -

- On May 30, 2014, SUNAT issued tax and fines assessments for the 2011 income tax of El Brocal. Within the terms of law, El Brocal filed an appeal that is pending resolution to date. It should be noted that on June 18, 2014, El Brocal decided to pay under protest the income tax assessment by S/8,333,000 (equivalent to US$2,568,000) so it can have access to a discount benefit of the fine. This payment is recorded as an account receivable.

- On January 8, 2015, SUNAT notified to the subsidiary El Brocal a tax assessment for the 2012 income tax, which was claimed by the subsidiary and rejected by SUNAT. In addition, SUNAT notified a tax assessment for income tax pre-payments from January to December 2012, which amounts to S/4,030,000 (equivalent to US$1,241,000). El Brocal has filed an appeal to the Tax Court, which is pending resolution.

The possible contingencies amount to S/7,562,000 (equivalent to US$2,330,000) as of December 31, 2017.

El Brocal's legal advisors believe that the outcome of these proceedings will be favorable and therefore, it is not necessary to recognize a provision for these contingencies.

Minera La Zanja S.R.L. -
During the years 2016 and 2017, SUNAT audited the income tax for 2013 of the subsidiary Minera La Zanja SRL. As a result, SUNAT does not recognize deductions declared for S/42,289,000 (equivalent to US$13,032,000). The main challenge is related to the deduction of development costs incurred for S/39,755,000 (equivalent to US$12,251,000). The possible contingency amounts to S/9,344,000 (equivalent to US$2,880,000) as of December 31, 2017. In Management´s opinion and its legal advisors, this interpretation is not supported and the subsidiary would obtain a favorable result in the claim process that has started.

Empresa de Generación Huanza S.A. -
During 2015, SUNAT audited the 2014 income tax of the subsidiary Empresa de Generación Huanza S.A. (Huanza). As a consequence, a portion of the depreciation of its fixed assets is not recognized for S/27,532,000 (equivalent to US$8,484,000). The possible contingency amounts to S/5,790,000 (equivalent to US$1,784,000) as of December 31, 2017. In the opinion of the Management and its legal advisors, this interpretation has no basis and therefore, Huanza would obtain a favorable result in the appeal process that has begun.

Other subsidiaries -
In addition, SUNAT has issued tax assessments as a result of the audit of income taxes of other subsidiaries for S/10,747,000 (equivalent to US$3,312,000). The possible contingencies amount to S/9,042,000 (equivalent to US$2,786,000) as of December 31, 2017. In the opinion of the Management and its legal advisors, the assessments are of possible occurrence; however, the subsidiaries expect to obtain a favorable outcome in the appeal processes initiated.

Associates -
Cerro Verde -
Mining Royalties
On June 23, 2004, Law N ° 28528 - Law of Mining Royalty was approved by which the owners of the mining concessions had to be paid, as financial compensation for the exploitation of metallic and non-metallic mineral resources, a mining royalty that was determined applying rates that change between 1% and 3% on the value of the concentrate or its equivalent, according to the price quotation of the international market published by the Ministry of Energy and Mines. Based on the contract of the guarantee signed in 1998, Cerro Verde determined that the payment of mining royalties was not applicable, because it was the contribution after the signing of the contract of the Law of Conquest of the Peruvian Government. However, under the terms of its new guarantee contract, which became effective on January 1, 2014, Cerro Verde began to pay mining royalties and special mining tax for all its production based on Law No. 29788, which it is calculated on the operating profit with rates that fluctuate between 1% and 12%.

SUNAT, the Peruvian tax authority, has assessed mining royalties on materials processed by Cerro Verde´s concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2007, and the years 2008 and September 2011. SUNAT issued resolutions declaring the claims of Cerro Verde unfounded for the periods 2006 to 2009. Cerro Verde appealed those decisions to the Tax Court. On June 20, 2013, the Peruvian Tax Tribunal issued two decisions affirming assessments for the period December 2006 through

December 2008. Decisions by the Tax Tribunal ended the administrative stage of the appeal procedures for these assessments.

On September 18, 2013, Cerro Verde filed two contentious administrative claims before the judiciary against the decisions of the Tax Court that dismissed the appeals filed. In connection with demands for the periods December 2006 to December 2007, the Twentieth Specialized Administrative Litigation Court in the Court dismissed the claim filed. On May 2, 2016, Cerro Verde filed an appeal with the Seventh Administrative Litigation Chamber. In July 2017, the Chamber resolved to confirm the decision of first instance, which declared the Cerro Verde claim unfounded. On August 9, 2017, Cerro Verde filed an appeal before the Supreme Court against this decision.

With respect to the judiciary appeal related to the assessment for the year 2008, on December 17, 2014, the Eighteenth Contentious Administrative Court rendered its decision upholding the Company's position and nullifying SUNAT's assessment and the Tax Tribunal´s resolution (S/106.4 million). The Judgment also annulled all fines and interest bounded by SUNAT for that period (S/139.7 million). In December 2014, SUNAT appealed this decision. On January 29, 2016, the Sixth Superior Justice Court nullified the decision of the Eighteenth Contentious Administrative Court. On February 23, 2016, Cerro Verde appealed the decision to the Supreme Court.

On October 1, 2013, SUNAT served Cerro Verde a demand for payment totaling S/492 million (approximately US$151.5 million based on the December 31, 2017 exchange rate, including interest and penalties of US$89.2 million) based on the Tax Tribunal's decisions for the period December 2006 to December 2008. As permitted by law, Cerro Verde requested, and was granted, an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments. As of December 31, 2017, Cerro Verde has made payments totaling S/459.7 million (US$145.9 million based on the date of payment and US$141.7 million based on December 31, 2017 exchange rates),

In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. As of December 31, 2017, the amount of the assessment, including interest and penalties, for the year 2009 was S/289.2 million (approximately US$89.1 million based on the December 31, 2017 exchange rate).

On March 1, 2017 SUNAT declared the claim raised by Cerro Verde unfounded. On March 22, 2017, Cerro Verde filed an appeal with the Tax Court against the decision that declared the claim unfounded. As of December 31, 2017, the amount of the annotations by SUNAT including interest and penalties for the year 2010 and from January 2011 to September 2011 is S/586.5 million (approximately US$180.7 million at the closing exchange rate as of December 31, 2017, including interest and penalties of US$99.9 million).

On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011. Cerro Verde will file a complaint with the SUNAT against said resolutions. As of December 31, 2017, the amount of the annotations by SUNAT including interest and penalties for the fourth quarter of 2011 is S/49.8 million (approximately US$15.3 million at the year-end exchange rate as of December 31, 2017, including interests and penalties for US$7.8 million).

As a result of the Supreme Court's unfavorable decision regarding the mining royalties of 2008, Cerro Verde recorded net charges for the year ended December 31, 2017 for a total of US$393 million associated with the royalties assessments in dispute and potential royalties from December 2006 to 2013.

Cerro Verde intends to seek an exemption available in accordance with Peruvian laws for the penalties and interest associated with this case of mining royalties. As of December 31, 2017, Cerro Verde has not recorded charges for possible penalties and unpaid interest for a total of US$385 million.

In December of 2017, as a result of the unfavorable decision of the Supreme Court on the case of mining royalties in 2008, Cerro Verde requested the return of the amounts that it would have paid in excess for the Special Mining Tax (GEM) (September 2012 to December 2013), National Housing Fund (FONAVI) (December 2012 to December 2013) and customs duties (2013).

Cerro Verde acted in good faith when applying provisions in accordance with its Stability Contract signed in 1998 and continues to evaluate alternatives to defend its rights.

Other assessments received from SUNAT

Cerro Verde has also received assessments from SUNAT for additional taxes (other than the mining royalty), including penalties and interest. Cerro Verde has filed or will file objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Year	Taxes US$(000)	Penalty and interest US$(000)	Total US$(000)
2003 – 2005	15,909	54,053	69,962
2006	6,545	59,454	65,999
2007	12,376	17,809	30,185
2008	20,797	12,968	33,765
2009	58,495	49,112	107,607
2010	65,997	107,139	173,136
2011	49,055	63,931	112,986
2014 - 2017	23,450	-	23,450
	252,624	364,466	617,090

Yanacocha -

- SUNAT challenged the withholding tax rate applied on the technical assistance services provided by a non-resident supplier for fiscal years 2002 and 2003. The services were executed in Peru and also abroad; however, Yanacocha was not able to prove that during the tax audit. Based on that, the Tax Administration considers that the services were wholly executed in Peru; therefore, the withholding tax rate should be 30% instead of 12%. The amount of the contingency involved is S/12.8 million (US$3.94 million). In Management's and its legal counsel’s opinion, these interpretations have no support so Yanacocha should get a favorable outcome in the appeals initiated.

- SUNAT considers that the bonus for closing the collective agreement and the collateral benefits granted to the unionized and non-unionized employees qualify as remunerative concepts; hence, taxed with the contribution to ESSALUD. The contingency amounts to S/11.5 million (US$3.5 million) for 2011 and 2012. In Management's and its legal counsel's opinion, these interpretations have no support so Yanacocha should get a favorable outcome in the appeals initiated.

- In 2000, Yanacocha paid a total of US$$29 million to assume their respective contractual positions in mining concession agreements with Chaupiloma Dos de Cajamarca S.M.R.L. The contractual rights allowed Yanacocha the opportunity to conduct exploration on the concessions, but not a purchase of the concessions. The tax authority alleges that the payments were acquisitions of mining concessions requiring the amortization of the amounts under the Peru Mining Law over the life of the mine. Yanacocha expensed the amounts at issue in the initial year since the payments were not for the acquisition of a concession but rather these expenses represent the payment of an intangible and therefore, amortizable in a single year or proportionally for up to ten years according to Income Tax Law. In 2010, the Tax Court in Peru ruled in favor of Yanacocha and the tax authority appealed the issue to the judiciary. The first appellate court confirmed the ruling of the Tax Court in favor of Yanacocha. However, in November, 2015, a Superior Court in Peru made an appellate decision overturning the two prior findings in favor of Yanacocha. Yanacocha has appealed the Superior Court ruling to the Peru Supreme Court. The potential liability in this matter is in the form of fines and interest in an amount up to US$82.9 million. While management has assessed that the likelihood of a ruling against the Company in the Supreme Court as remote, it is not possible to fully predict the outcome of this litigation.

29. Transactions with associates companies

(a) The Group has carried out the following transactions with its associates in the years 2017, 2016 and 2015:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Royalties collected to Minera Yanacocha S.R.L.:			
S.M.R.L. Chaupiloma Dos de Cajamarca (c)	20,739	24,339	32,414
Services provided to Minera Yanacocha S.R.L. by:			
Consorcio Energético de Huancavelica S.A. (operation and maintenance)	381	915	1,694
Buenaventura Ingenieros S.A (execution of specific work orders)	227	177	845
Consorcio Energético de Huancavelica S.A. (energy transmission)	212	-	-

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Dividends received by:			
Compañía Minera Coimolache S.A.	9,823	11,390	6,691
Minera Yanacocha S.R.L.	-	130,950	-
Loans collected (granted) to:			
Sociedad Minera Cerro Verde S.A.A.	124,800	-	(124,800)
Sales of supplies to Compañía Minera Coimolache S.A. by:			
Compañía de Minas Buenaventura S.A.A.	2	1	56
Minera La Zanja S.R.L.	2	-	74
Sales of mineral to Minera Yanacocha S.R.L. by:			
Minera La Zanja S.R.L.	710	-	-
Compañía de Minas Buenaventura S.A.A.	704	1,271	2,114
Interest income over loans granted by Compañía Minera Coimolache S.A. to:			
Consorcio Energético de Huancavelica S.A.A.	-	3	19
Supplies purchase to Compañía Minera Coimolache S.A. by:			
Consorcio Energético de Huancavelica S.A.A.	18	10	1
Minera La Zanja S.R.L.	6	10	6
Buenaventura Ingenieros S.A.	4	-	-
Compañía de Minas Buenaventura S.A.A.	-	1	29
Interest income over loans granted by associates, note 26(a)	1,685	4,164	2,286
Services provided to Compañía Minera Coimolache S.A. by:			
Empresa de Generación Huanza S.A. (sale of energy)	2,137	1,679	1,676
Consorcio Energético de Huancavelica S.A. (construction services)	1,332	1,152	346
Buenaventura Ingenieros S.A (execution of specific work orders)	835	824	471
Consorcio Energético de Huancavelica S.A. (operation and maintenance)	178	332	559
Services provided by to Sociedad Minera Cerro Verde S.A.A. by:			
Buenaventura Ingenieros S.A (execution of specific work orders)	57	-	-

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Services received by Compañía Minera Coimolache S.A. for:			
Minera La Zanja S.R.L. (administrative services)	149	200	-
Purchase of assets of Compañía Minera Coimolache S.A. from:			
Consorcio Energético de Huancavelica S.A. (operation and maintenance)	336	-	-

(b) As a result of the transactions indicated in the paragraph (a), the Group had the following accounts receivable and payable from/to associates:

	2017 US$(000)	2016 US$(000)
Trade and other receivables, note 7(a) -		
Trade receivables		
Minera Yanacocha S.R.L. (c)	6,740	7,079
Compañía Minera Coimolache S.A.	592	681
Sociedad Minera Cerro Verde S.A.A.	16	-
	7,348	7,760
Other receivables		
Compañía Minera Coimolache S.A.	732	240
Sociedad Minera Cerro Verde S.A.A. (d)	-	126,050
Minera Yanacocha S.R.L.	-	379
	732	126,669
Total trade and other receivables	8,080	134,429
Classification by maturity:		
Current portion	8,080	8,379
Non-current portion	-	126,050
Total trade and other receivables	8,080	134,429
Trade and other payables, note 14(a) -		
Trade payables		
Compañía Minera Coimolache S.A.	15	25
Minera Yanacocha S.R.L.	-	1,347
	15	1,372
Other payables		
Compañía Minera Coimolache S.A.	42	3
Other	20	-
	62	3
Total trade and other payables	77	1,375

(c) S.M.R.L. Chaupiloma Dos de Cajamarca -

In accordance with mining lease, amended and effective on January 1, 1994, Minera Yanacocha S.R.L. pays the Group a 3% royalty based on quarterly production sold at current market prices, after deducting refinery and transportation costs. The royalty agreement expires in 2032.

(d) Sociedad Minera Cerro Verde S.A. -

In December 2014, Cerro Verde entered into shareholder loan agreements with, or affiliates of, Freeport Minerals Corporation, Compañía de Minas Buenaventura S.A.A. and SMM Cerro Verde Netherlands B.V., for up to US$800 million. As of December 31, 2016, Cerro Verde had borrowed US$606 million under these loan agreements (US$800 million under these loan agreements as of December 31, 2015), US$125 million with Buenaventura. During 2017, Buenaventura received the payment in advance of the long-term loan held with Sociedad Minera Cerro Verde S.A.

(e) Key officers -

As of December 31, 2017 and 2016, directors, officers and employees of the Group have been involved, directly and indirectly, in financial transactions with certain subsidiaries. As of December 2017 and 2016, loans to employees, directors and key personnel amounts to US$47,000 and US$91,000, respectively, are paid monthly and earn interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with Buenaventura or any of its Subsidiaries' shares.

The Group's key executives' compensation (including the related income taxes assumed by the Group) for the years 2017 and 2016 are presented below:

	2017 US$(000)	**2016** US$(000)
Accounts payable:		
Directors' remuneration	1,641	-
Salaries	1,257	1,034
Directors' compensations	1,200	1,016
Other payments to officers	1,899	598
	5,997	2,648
Disbursements:		
Salaries	10,530	9,922

30. Disclosure of information on segments

Management has determined its operating segments based on reports that the Group's Chief Operating Decision Maker (CODM) uses for making decisions. The Group is organized into business units based on its products and services, activities and geographic locations. The broad categories of the Group's business units are

- Production and sale of minerals
- Exploration and development activities
- Construction and engineering services
- Energy generation and transmission services
- Insurance brokerage
- Rental of mining concessions
- Holding of investment in shares (mainly in the associate company Minera Yanacocha S.R.L. and the Group's subsidiary S.M.R.L. Chaupiloma Dos de Cajamarca)
- Industrial activities.

The CODM monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group's consolidated financial statements. Also, the Group's financing and income taxes are managed at the corporate level and are not allocated to the operating segments, except for those entities which are managed independently.

Corporate information mainly includes the following:

In segment information of profit and loss -

- Sales to third parties of gold purchased by the Parent company from La Zanja mining unit and the corresponding cost of sale as well as other intercompany sales.
- Administrative expenses, other income (expenses), exchange gain (loss), finance costs and income and income tax that cannot be directly allocated to the operational mining units owned by the Parent company (Uchucchacua, Orcopampa, Julcani, Mallay and Tambomayo).
- Exploration activities in non-operating areas, carried out directly by the Parent company and not by the consolidated separate legal entities.
- Participation in subsidiaries and associate companies of the Parent company, which are accounted for using the equity method.

In the segment information of assets and liabilities -

- Investments in Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A., associate companies which are directly owned by the Parent company and are accounted for using the equity method; see note 10 to the consolidated financial statements.
- Assets and liabilities of the operational mining units owned directly by the Parent company since this is the way the CODM analyzes the business. Assets and liabilities of other operating segments are allocated based on the assets and liabilities of the legal entities included in those segments.

Adjustments and eliminations mainly include the following:

In segment information of consolidated statements of profit and loss –

- The elimination of any profit or loss of investments accounted for under the equity method and not consolidated by the Group corresponding to the associate companies: Minera Yanacocha S.R.L., Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A.
- The elimination of intercompany sales and cost of sales.
- The elimination of any equity pickup profit or loss of the subsidiaries of the Parent company.

In the segment information of assets and liabilities –

- The elimination of the assets and liabilities of the investments accounted for under the equity method and not consolidated, corresponding to the associate companies: Minera Yanacocha S.R.L., Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A.
- The elimination of any equity pickup investments of the subsidiaries of the Parent company.
- The elimination of intercompany receivables and payables.

Refer to Note 20(a) to the consolidated financial statements where the Group reports revenues from external customers for each product and service, and revenues from external customers attributed to Peru and foreign countries. The revenue information is based on the locations of customers.

Refer to Note 20(b) to the consolidated financial statements for information about major customers (clients representing more than 10 percent of the Group's revenues).

All non-current assets are located in Peru.

																Equity accounted investees					
	Ucchuchacua (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Mallay (Operation) US$(000)	Tambomayo (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(000)	Exploration and development mining projects US$(000)	Construction and engineering US$(000)	Energy generation and transmission US$(000)	Insurance brokerage US$(000)	Rental of mining concessions US$(000)	Holding of investment in shares US$(000)	Industrial activities US$(000)	Corporate US$(000)	Minera Yanacocha S.R.L. US$(000)	Sociedad Minera Cerro Verde S.A.A US$(000)	Compañía Minera Coimolache S.A. US$(000)	Total operating segments US$(000)	Adjustments and eliminations US$(000)	Total US$(000)
Year 2017																					
Results:																					
Continuing operations																					
Operating income																					
Net sale of goods	272,334	256,960	42,785	36,736	118,966	322,653	165,319	-	-	-	-	-	-	6,317	34,650	645,176	3,202,931	203,790	5,308,617	(4,084,675)	1,223,942
Net sale of services	-	-	-	-	-	-	-	-	10,603	60,639	14,377	-	615	19,658	-	21,870	-	-	127,762	(98,065)	29,697
Royalty income	-	-	-	-	-	-	-	-	-	-	-	20,739	-	-	-	-	-	-	20,739	-	20,739
Total operating income	272,334	256,960	42,785	36,736	118,966	322,653	165,319	-	10,603	60,639	14,377	20,739	615	25,975	34,650	667,046	3,202,931	203,790	5,457,118	(4,182,740)	1,274,378
Operating costs																					
Cost of sales of goods	(143,288)	(115,574)	(31,190)	(22,783)	(53,555)	(193,874)	(102,474)	-	-	-	-	-	-	(6,043)	(34,029)	(746,918)	(1,768,238)	(121,021)	(3,338,987)	2,711,554	(627,433)
Cost of services	-	-	-	-	-	-	-	-	(9,393)	(25,556)	-	-	-	(9,354)	-	(2,062)	-	-	(46,365)	33,411	(12,954)
Exploration in operating units	(27,068)	(38,820)	(13,009)	(5,617)	(9,543)	-	(871)	-	-	-	-	-	-	-	-	-	-	-	(94,928)	-	(94,928)
Depreciation and amortization	(23,899)	(8,846)	(8,122)	(3,568)	(42,789)	(57,199)	(48,385)	-	(129)	(9,651)	-	-	-	(11,134)	-	-	-	-	(213,722)	-	(213,722)
Mining royalties	(2,280)	(22,436)	(354)	(333)	(998)	(3,317)	(1,499)	-	-	-	-	-	-	-	-	-	-	-	(31,217)	-	(31,217)
Total operating costs	(196,535)	(185,676)	(52,675)	(32,301)	(106,885)	(254,390)	(153,229)	-	(9,522)	(35,207)	-	-	-	(26,531)	(34,029)	(748,980)	(1,768,238)	(121,021)	(3,725,219)	2,744,965	(980,254)
Gross profit (loss)	75,799	71,284	(9,890)	4,435	12,081	68,263	12,090	-	1,081	25,432	14,377	20,739	615	(556)	621	(81,934)	1,434,693	82,769	1,731,899	(1,437,775)	294,124
Operating expenses, net																					
Administrative expenses	(19,473)	(18,281)	(2,878)	(2,931)	(9,139)	(13,061)	(2,814)	(1,604)	(3,606)	(2,423)	(12,288)	(90)	(413)	(1,203)	443	(4,760)	-	(3,829)	(98,350)	14,753	(83,597)
Exploration in non-operating areas	(2,676)	-	-	-	(3,214)	(1,976)	(2,870)	(2,771)	-	-	-	-	-	-	(5,052)	-	-	-	(18,559)	297	(18,262)
Selling expenses	(6,078)	(1,016)	(605)	(1,045)	(1,387)	(10,914)	(881)	-	-	(1,264)	-	-	-	(775)	(167)	(3,922)	(141,669)	(946)	(170,669)	146,581	(24,088)
Impairment loss of long-lived assets	-	-	-	-	-	-	(21,620)	-	-	-	-	-	-	-	-	-	-	-	(21,620)	-	(21,620)
Provision for contingences and others	(7,040)	(1)	(460)	(139)	(1,002)	-	(1,370)	(4,657)	100	312	-	-	-	-	378	-	-	-	(13,879)	-	(13,879)
Write –off of stripping activity asset	-	-	-	-	-	(13,573)	-	-	-	-	-	-	-	-	-	-	-	-	(13,573)	-	(13,573)
Other, net	(1,799)	(715)	(1,403)	(359)	(175)	(2,922)	(970)	(94)	1,129	(94)	(4)	(1)	-	216	(2,012)	(63,512)	(258,826)	(587)	(332,128)	318,539	(13,589)
Total operating expenses, net	(37,066)	(20,013)	(5,346)	(4,474)	(14,917)	(42,446)	(30,525)	(9,126)	(2,377)	(3,469)	(12,292)	(91)	(413)	(1,762)	(6,410)	(72,194)	(400,495)	(5,362)	(668,778)	480,170	(188,608)
Operating profit (loss)	38,733	51,271	(15,236)	(39)	(2,836)	25,817	(18,435)	(9,126)	(1,296)	21,963	2,085	20,648	202	(2,318)	(5,789)	(154,128)	1,034,198	77,407	1,063,121	(957,605)	105,516
Other income (expense),net																					
Share in the results of associates under equity method	-	-	-	-	-	-	-	-	-	8,573	-	-	(66,187)	-	21,194	-	-	-	(36,420)	49,627	13,207
Finance income	-	-	-	-	-	179	670	-	-	139	1	7	1	79	5,614	5,831	5,350	220	18,091	(12,574)	5,517
Net gain (loss) from currency exchange difference	31	(63)	(75)	(11)	10	310	48	537	105	294	(75)	(41)	(4)	497	1,365	3,636	13,288	(174)	19,678	(16,750)	2,928
Finance costs	(285)	(354)	(106)	(72)	(372)	(12,017)	(1,919)	(131)	(370)	(10,354)	(6)	(2)	(2)	(941)	(8,980)	(23,766)	(216,912)	(3,304)	(279,893)	245,270	(34,623)
Total other income (expense), net	(254)	(417)	(181)	(83)	(362)	(11,528)	(1,201)	406	(265)	(1,348)	(80)	(36)	(66,192)	(365)	19,193	(14,299)	(198,274)	(3,258)	(278,544)	265,573	(12,971)
Profit (loss) before income tax	38,479	50,854	(15,417)	(122)	(3,198)	14,289	(19,636)	(8,720)	(1,561)	20,615	2,005	20,612	(65,990)	(2,683)	13,404	(168,427)	835,924	74,149	784,577	(692,032)	92,545
Income tax	(1,101)	(1,085)	(153)	(124)	(538)	(3,903)	6,841	-	(400)	(3,491)	(742)	(6,044)	(38)	1,818	(9,052)	(7,026)	(486,043)	(23,362)	(534,443)	516,431	(18,012)
Profit (loss) from continued operations	37,378	49,769	(15,570)	(246)	(3,736)	10,386	(12,795)	(8,720)	(1,961)	17,124	1,263	14,568	(66,028)	(865)	4,352	(175,453)	349,881	50,787	250,134	(175,601)	74,533
Loss from discontinued operations, see note 1(e)																					(10,098)
Net profit																					64,435
Total assets	146,464	54,114	20,922	18,923	538,057	792,594	190,310	342,759	14,004	360,610	9,004	6,611	988,841	109,669	1,931,224	2,019,332	7,691,007	380,534	15,614,979	(11,282,166)	4,332,813
Total liabilities	49,723	42,242	18,099	6,092	32,501	388,899	87,008	14,527	5,153	205,247	4,616	2,378	414	20,245	425,413	1,360,217	2,501,845	150,743	5,315,362	(4,046,176)	1,269,186
Other segment information																					
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,536,887	-	-	-	1,536,887	-	1,536,887
Additions to mining concessions, development costs, property, plant and equipment	18,127	12,674	1,951	1,796	131,119	61,060	17,326	13,733	3	852	14	-	-	459	393	-	-	-	259,507	-	259,507

	Ucchuchacua (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Mallay (Operation) US$(000)	Tambomayo (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(000)	Exploration and development mining projects US$(000)	Construction and engineering US$(000)	Energy generation and transmission US$(000)	Insurance brokerage US$(000)	Rental of mining concessions US$(000)	Holding of investment in shares US$(000)	Industrial activities US$(000)	Corporate US$(000)	Equity accounted investees: Minera Yanacocha S.R.L. US$(000)	Equity accounted investees: Sociedad Minera Cerro Verde S.A.A US$(000)	Equity accounted investees: Compañía Minera Coimolache S.A. US$(000)	Total operating segments US$(000)	Adjustments and eliminations US$(000)	Total US$(000)
Year 2016																					
Results:																					
Continuing operations																					
Operating income																					
Net sale of goods	240,470	244,745	54,666	46,741	-	230,611	178,922	-	-	-	-	-	-	5,982	191,075	761,193	2,384,154	198,873	4,537,432	(3,521,762)	1,015,670
Net sale of services	-	-	-	-	-	-	-	-	12,633	57,312	12,675	-	615	19,507	-	17,713	-	-	120,455	(91,673)	28,782
Royalty income	-	-	-	-	-	-	-	-	-	-	-	24,339	-	-	-	-	-	-	24,339	-	24,339
Total operating income	240,470	244,745	54,666	46,741	-	230,611	178,922		12,633	57,312	12,675	24,339	615	25,489	191,075	778,906	2,384,154	198,873	4,682,226	(3,613,435)	1,068,791
Operating costs																					
Cost of sales of goods	(118,561)	(97,325)	(23,633)	(23,392)	-	(178,231)	(80,873)	-	-	-	-	-	-	(2,962)	(190,041)	(725,740)	(1,553,040)	(107,913)	(3,101,711)	2,603,899	(497,812)
Cost of services	-	-	-	-	-	-	-	-	(9,732)	(25,250)	-	-	-	(8,723)	-	(2,951)	-	-	(46,656)	35,902	(10,754)
Exploration in operating units	(31,406)	(45,111)	(11,069)	(7,960)	-	-	(603)	-	-	-	-	-	-	-	-	-	-	-	(96,149)	-	(96,149)
Depreciation and amortization	(18,541)	(11,403)	(6,756)	(11,393)	-	(53,637)	(67,542)	(27)	(253)	(10,904)	-	(16)	(221)	(10,968)	(986)	-	-	-	(192,647)	-	(192,647)
Mining royalties	(1,687)	(21,482)	(381)	(314)	-	(2,726)	(1,021)	-	-	-	-	-	-	-	-	-	-	-	(27,611)	-	(27,611)
Total operating costs	(170,195)	(175,321)	(41,839)	(43,059)	-	(234,594)	(150,039)	(27)	(9,985)	(36,154)	-	(16)	(221)	(22,653)	(191,027)	(728,691)	(1,553,040)	(107,913)	(3,464,774)	2,639,801	(824,973)
Gross profit (loss)	70,275	69,424	12,827	3,682	-	(3,983)	28,883	(27)	2,648	21,158	12,675	24,323	394	2,836	48	50,215	831,114	90,960	1,217,452	(973,634)	243,818
Operating expenses																					
Administrative expenses	(13,265)	(13,810)	(4,582)	(2,708)	(3,274)	(11,802)	(1,980)	(3,750)	(4,492)	(2,450)	(12,245)	(112)	(227)	(635)	(12,083)	(8,780)	-	(4,144)	(100,339)	18,647	(81,692)
Exploration in non-operating areas	-	-	-	-	(7,517)	(1,939)	(4,619)	(9,585)	-	-	-	-	-	-	(4,129)	-	-	-	(27,789)	1,200	(26,589)
Selling expenses	(4,632)	(1,075)	(845)	(1,549)	-	(10,650)	(938)	-	-	(1,124)	-	-	-	(1,154)	(115)	(3,695)	(131,391)	(1,128)	(158,296)	136,563	(21,733)
Impairment loss of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(889,499)	-	-	(889,499)	889,499	-
Provision for contingencies	1,121	(110)	(630)	49	69	-	-	(1,399)	(286)	(467)	-	-	-	-	1,088	-	-	-	(565)	-	(565)
Other, net	1,144	874	74	(372)	421	276	4,237	2,180	2,198	10,994	-	11	(16)	546	8,081	(122,151)	(24,107)	755	(114,855)	133,812	18,957
Total operating expenses, net	(15,632)	(14,121)	(5,983)	(4,580)	(10,301)	(24,115)	(3,300)	(12,554)	(2,580)	6,953	(12,245)	(101)	(243)	(1,243)	(7,158)	(1,024,125)	(155,498)	(4,517)	(1,291,343)	1,179,721	(111,622)
Operating profit (loss)	54,643	55,303	6,844	(898)	(10,301)	(28,098)	25,583	(12,581)	68	28,111	430	24,222	151	1,593	(7,110)	(973,910)	675,616	86,443	(73,891)	206,087	132,196
Other income (expense),net																					
Share in the results of associates under equity method	-	-	-	-	-	-	-	-	-	4,579	(9)	-	(448,017)	-	(370,381)	-	-	-	(813,828)	448,507	(365,321)
Finance income	3	3	1	-	-	256	87	-	8	820	12	-	4	1	7,480	2,132	954	38	11,799	(4,969)	6,830
Net gain (loss) from currency exchange difference	(203)	(59)	(61)	(46)	57	(270)	65	505	5	(138)	426	(93)	5	222	2,223	(13,741)	7,857	(117)	(3,363)	6,001	2,638
Finance costs	(379)	(197)	(87)	(41)	(137)	(12,554)	(2,614)	(163)	(545)	(10,564)	(10)	(2)	(14)	(962)	(5,156)	(15,107)	(80,438)	(1,614)	(130,584)	99,004	(31,580)
Total other income (expense), net	(579)	(253)	(147)	(87)	(80)	(12,568)	(2,462)	342	(532)	(5,303)	419	(95)	(448,022)	(739)	(365,834)	(26,716)	(71,627)	(1,693)	(935,976)	548,543	(387,433)
Profit (loss) before income tax	54,064	55,050	6,697	(985)	(10,381)	(40,666)	23,121	(12,239)	(464)	22,808	849	24,127	(447,871)	854	(372,944)	(1,000,626)	603,989	84,750	(1,009,867)	754,630	(255,237)
Income tax	(1,814)	(1,895)	(424)	(365)	-	7,851	(18,256)	(245)	(178)	(9,224)	(245)	(6,761)	-	461	(22,409)	(43,126)	(263,082)	(27,894)	(387,606)	334,102	(53,504)
Profit (loss) from continued operations	52,250	53,155	6,273	(1,350)	(10,381)	(32,815)	4,865	(12,484)	(642)	13,584	604	17,366	(447,871)	1,315	(395,353)	(1,043,752)	340,907	56,856	(1,397,473)	1,088,732	(308,741)
Loss from discontinued operations, see note 1(e)																					(19,073)
Net loss																					(327,814)
Total assets	105,950	46,085	25,118	16,958	415,341	763,092	246,106	330,169	22,481	379,964	6,226	7,439	427,439	120,038	2,593,838	2,045,825	7,635,623	334,555	15,522,247	(11,255,832)	4,266,415
Total liability	35,148	26,536	19,733	7,302	582	353,184	129,689	14,831	11,647	222,324	3,102	2,684	148	29,751	556,172	1,160,102	2,796,342	131,051	5,500,328	(4,281,126)	1,219,202
Other segment information																					
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,536,607	-	-	-	1,536,607	-	1,536,607
Additions to mining concessions, development costs, property, plant and equipment	28,899	3,451	759	2,729	230,223	51,289	14,995	25,450	27	4,236	39	-	-	3,719	1,018	-	-	-	366,834	-	366,834

	Ucchuchacua (Operation)	Orcopampa (Operation)	Julcani (Operation)	Mallay (Operation)	Tambomayo (Operation)	Colquijirca (Operation)	La Zanja (Operation)	Exploration and development mining projects	Construction and engineering	Energy generation and transmission	Insurance brokerage	Rental of mining concessions	Holding of investment in shares	Industrial activities	Corporate	Equity accounted investees			Total operating segments	Adjustments and eliminations	Total
																Minera Yanacocha S.R.L.	Sociedad Minera Cerro Verde S.A.A	Compañía Minera Coimolache S.A.			
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Year 2015																					
Results:																					
Continuing operations																					
Operating income																					
Net sale of goods	166,055	254,118	50,254	32,018	-	171,294	161,007	-	-	-	-	-	-	3,649	168,667	1,031,174	1,115,617	177,347	3,331,200	(2,484,931)	846,269
Net sale of services	-	-	-	-	-	-	-	-	48,758	48,339	11,929	-	-	13,399	-	10,625	-	-	133,050	(82,211)	50,839
Royalty income	-	-	-	-	-	-	-	-	-	-	-	32,414	-	-	-	-	-	-	32,414	-	32,414
Total operating income	166,055	254,118	50,254	32,018	-	171,294	161,007	-	48,758	48,339	11,929	32,414	-	17,048	168,667	1,041,799	1,115,617	177,347	3,496,664	(2,567,142)	929,522
Operating costs																					
Cost of sales of goods	(126,728)	(112,707)	(26,725)	(20,709)	-	(158,804)	(106,750)	-	-	-	-	-	-	-	(169,236)	(751,736)	(862,004)	(104,549)	(2,439,948)	1,926,458	(513,490)
Cost of services	-	-	-	-	-	-	-	-	(48,544)	(20,767)	-	-	-	(16,820)	-	(2,524)	-	-	(88,655)	29,043	(59,612)
Exploration in operating units	(27,784)	(41,705)	(12,699)	(7,539)	-	-	(41)	-	-	-	-	-	-	-	-	-	-	-	(89,768)	69	(89,699)
Depreciation and amortization	(15,767)	(17,313)	(11,349)	(15,439)	-	(45,752)	(104,984)	(17)	(850)	(10,260)	-	(54)	(226)	(9,545)	(1,027)	-	-	-	(232,583)	-	(232,583)
Mining royalties	(1,142)	(23,877)	(337)	(234)	-	-	(1,597)	-	-	-	-	-	-	-	(1)	-	-	-	(27,188)	-	(27,188)
Total operating costs	(171,421)	(195,602)	(51,110)	(43,921)	-	(204,556)	(213,372)	(17)	(49,394)	(31,027)	-	(54)	(226)	(26,365)	(170,264)	(754,260)	(862,004)	(104,549)	(2,878,142)	1,955,570	(922,572)
Gross profit (loss)	(5,366)	58,516	(856)	(11,903)	-	(33,262)	(52,365)	(17)	(636)	17,312	11,929	32,360	(226)	(9,317)	(1,597)	287,539	253,613	72,798	618,522	(611,572)	6,950
Operating expenses																					
Administrative expenses	(10,739)	(16,698)	(3,623)	(2,080)	(169)	(19,181)	(2,251)	(1,275)	(7,859)	(3,422)	(11,296)	(106)	(209)	(654)	(11,370)	(26,325)	-	(2,185)	(119,442)	35,070	(84,372)
Exploration in non-operating areas	-	-	-	-	(12,651)	(2,366)	(8,954)	(3,241)	-	-	-	-	-	-	(5,685)	-	-	-	(32,897)	2,287	(30,610)
Selling expenses	(3,552)	(851)	(1,055)	(1,424)	-	(9,056)	(1,207)	-	-	(806)	-	-	-	(1,411)	(3)	(3,534)	(56,215)	(1,111)	(80,225)	60,860	(19,365)
Impairment loss of long-lived assets	-	-	-	-	-	-	(3,803)	-	-	-	-	-	-	-	-	-	-	(672)	(4,475)	672	(3,803)
Provision for contingencies	-	-	-	-	-	-	-	-	-	(472)	-	-	-	-	77	-	-		(395)	-	(395)
Other, net	1,836	(1,182)	(125)	(67)	156	(2,657)	(687)	(1,251)	7,417	167	(4)	-	793	98	6,252	(82,846)	(26,600)	765	(97,935)	92,595	(5,340)
Total operating expenses, net	(12,455)	(18,731)	(4,803)	(3,571)	(12,664)	(33,260)	(16,902)	(5,767)	(442)	(4,533)	(11,300)	(106)	584	(1,967)	(10,729)	(112,705)	(82,815)	(3,203)	(335,369)	191,484	(143,885)
Operating profit (loss)	(17,821)	39,785	(5,659)	(15,474)	(12,664)	(66,522)	(69,267)	(5,784)	(1,078)	12,779	629	32,254	358	(11,284)	(12,326)	174,834	170,798	69,595	283,153	(420,088)	(136,935)
Other income (expense),net																					
Share in the results of associates under equity method	-	-	-	-	-	-	-	-	6,561	478	2	-	(187,269)	-	(268,463)	-	-	-	(448,691)	275,316	(173,375)
Finance income	5	5	2	-	-	154	16	-	182	23	13	-	-	-	10,785	673	512	23	12,393	(1,367)	11,026
Net gain (loss) from currency exchange difference	539	461	378	75	(63)	(3,832)	(1,973)	(1,734)	(1,393)	(1,586)	(165)	45	4	(2,162)	(2,287)	(251)	(75,770)	(1,300)	(91,014)	77,321	(13,693)
Finance costs	(195)	(235)	(152)	(108)	(163)	(10,096)	(3,684)	(52)	(1,413)	(8,817)	(21)	(4)	(1)	(842)	(4,043)	-22,734	(16,010)	(51)	(68,621)	41,049	(27,572)
Total other income (expense), net	349	231	228	(33)	(226)	(13,774)	(5,641)	(1,786)	3,937	(9,902)	(171)	41	(187,266)	(3,004)	(264,008)	(22,312)	(91,268)	(1,328)	(595,933)	392,319	(203,614)
Profit (loss) before income tax	(17,472)	40,016	(5,431)	(15,507)	(12,890)	(80,296)	(74,908)	(7,570)	2,859	2,877	458	32,295	(186,908)	(14,288)	(276,334)	152,522	79,530	68,267	(312,780)	(27,769)	(340,549)
Income tax	(518)	(602)	(140)	(78)	-	4,109	5,702	-	(4,386)	(3,887)	(299)	(9,186)	(87)	584	(5,975)	(602,717)	(46,246)	(29,861)	(693,587)	678,824	(14,763)
Profit (loss) from continued operations	(17,990)	39,414	(5,571)	(15,585)	(12,890)	(76,187)	(69,206)	(7,570)	(1,527)	(1,010)	159	23,109	(186,995)	(13,704)	(282,309)	(450,195)	33,284	38,406	(1,006,367)	651,055	(355,312)
Loss from discontinued operations, see note 1(e)																					(20,233)
Net loss																					(375,545)
Total assets	86,961	51,746	27,228	24,279	168,835	739,941	220,331	303,484	31,463	393,318	5,979	9,397	997,835	118,012	3,067,988	2,965,430	7,852,692	238,175	17,303,094	(12,755,913)	4,547,181
Total liability	16,663	14,817	6,538	2,803	9,100	364,455	106,846	4,590	29,599	235,695	3,457	3,508	2,831	31,479	465,244	736,605	3,354,318	63,119	5,451,667	(4,293,722)	1,157,945
Other segment information																					
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,043,983	-	-	-	2,043,983	-	2,043,983
Additions to mining concessions, development costs, property, plant and equipment	20,245	8,198	1,323	2,259	77,093	37,571	27,741	26,740	527	6,159	85	-	1,205	2,140	-	-	-	-	211,286	-	211,286

Reconciliation of segment profit (loss)

The reconciliation of segment profit (loss) to the consolidated profit (loss) from continued operations follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Segments profit (loss) from continued operations	250,134	(1,397,473)	(1,006,367)
Elimination of profit of equity accounted investees, not consolidated (owned by third parties)	(225,215)	645,989	203,912
Elimination of intercompany sales	(108,973)	(251,502)	(232,380)
Elimination of intercompany cost of sales	106,726	250,157	228,914
Elimination of share in the results of subsidiaries and associates	49,627	448,507	448,691
Others	2,234	(4,419)	1,918
Consolidated profit (loss) from continued operations	74,533	(308,741)	(355,312)

Reconciliation of segment assets

The reconciliation of segment assets to the consolidated assets follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Segments assets	15,614,979	15,522,247	17,303,094
Elimination of assets of equity accounted investees, not consolidated (owned by third parties)	(10,090,873)	(10,016,003)	(8,128,519)
Elimination of equity pick up investments of the subsidiaries and associates of the Parent company	(1,186,783)	(1,047,758)	(4,486,717)
Elimination of intercompany receivables	(32,769)	(192,958)	(138,703)
Others	28,259	887	(1,974)
Consolidated assets	4,332,813	4,266,415	4,547,181

Reconciliation of segment liabilities

The reconciliation of segment liabilities to the consolidated liabilities follows:

	2017 US$(000)	2016 US$(000)	2015 US$(000)
Segments liabilities	5,315,362	5,500,328	5,451,667
Elimination of liabilities of equity accounted investees, not consolidated	(4,012,805)	(4,087,495)	(4,154,042)
Elimination of intercompany payables	(32,769)	(192,958)	(138,703)
Others	(602)	(673)	(977)
Consolidated liabilities	1,269,186	1,219,202	1,157,945

31. Derivative financial instruments

Hedge derivative financial instruments -

(a) The volatility of copper prices during the last years has caused the Management of the subsidiary El Brocal to enter into future contracts which are recorded under cash flow accounting, see note 2.4(v). These contracts managed during 2017 are intended to reduce the volatility of the cash flows attributable to the fluctuations in the cooper price, from January to December 2018, in accordance with existing copper concentrate sales commitments, which are related to 50 percent of the annual production of copper according to the risk strategy approved by the Board of Directors of this subsidiary.

The counterpart fair value as of December 31, 2017, net of deferred income tax, amounts to a liability balance of US$19,602,00028,705,000 (US$2,723,0003,863,000 as of December 31, 2016), and it is shown in the caption "Other reserves of equity".

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2017:

		Quotations		
Period of settlement	**MT**	**Fixed**	**Futures**	**Fair value** US$(000)
January 2018	3,000	5,972 – 6,050	7,275	(3,788)
February 2018	3,000	5,972 – 6,050	7,260	(3,736)
March 2018	3,000	5,972 – 6,050	7,247	(3,693)
April 2018	3,000	5,805 – 6,050	7,259	(3,973)
May 2018	3,000	5,900 – 6,300	7,269	(3,484)
June 2018	3,000	5,900 – 6,325	7,277	(3,468)
July 2018	3,000	5,960 - 6,350	7,285	(3,359)
August 2018	3,000	6,520	7,290	(2,288)
September 2018	3,000	7,100	7,296	(580)
October 2018	3,000	7,200	7,300	(296)
November 2018	3,000	7,300	7,305	(13)
December 2018	3,000	7,300	7,309	(27)
	36,000			(28,705)

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2016:

Period of settlement	MT	Quotations Fixed	Quotations Futures	Fair value US$(000)
January 2017	2,542	4,917	5,526	(1,548)
February 2017	2,270	5,001	5,530	(1,199)
March 2017	1,795	4,860	5,535	(1,208)
April 2017	500	5,720	5,536	92
	7,107			(3,863)

(b) Embedded derivative of commercial contracts -

The Group's sales of concentrates are based on commercial contracts, under which a provisional sales value is determined based on future quotations (forward). The adjustment to sales is considered an embedded derivative, which is required to be separated from the host contract. Commercial contracts are linked to market prices (London Metal Exchange) at the dates of the expected settlements of the open positions as of December 31, 2017 and 2016. The embedded derivative does not qualify for hedge accounting; therefore, changes in the fair value are recorded as an adjustment to net sales.

Embedded derivatives held by the Group as of December 31, 2017 are:

Metal	Quantity	Period of quotations 2018	Quotations Provisional US$	Quotations Future US$	Fair value US$(000)
Copper	24,846 DMT	January – March	6,645.36 – 6,841.95	7,112.50 – 7,275.00	2,508
Gold	64,898 DMT	January – March	1,256.45 – 1,317.67	1,258.00 – 1,317.10	1,066
Silver	326,095 Oz	January – April	16.02 – 18.00	16.07 – 17.21	1,815
Lead	22,735 DMT	January – April	2,333.23 – 3,110.69	2,488 – 2,579.75	229
Zinc	54,603 DMT	January – April	3,103.72 – 3,275.47	3,226.50 – 3,343.50	1,806
Total asset, net					7,424

Embedded derivatives held by the Group as of December 31, 2016 are:

Metal	Quantity	Period of quotations 2017	Quotations Provisional US$	Future US$	Fair value US$(000)
Copper	29,121 DMT	January - April	2,985.28 – 5,824.00	5,535.76 – 5,642.25	397
Gold	15,370 DMT	January – February	1,139.75 – 1,145.90	1,151.00 – 1,179.40	481
Silver	17,124 Oz	January - April	16.32 – 19.35	16.42 – 16.66	(1,825)
Lead	23,636 DMT	January - April	1,871.58 – 2,380.60	2,017.00 – 2,080.00	(801)
Zinc	29,407 DMT	January – March	2,291.08 – 2,732.10	2,578.00 – 2,612.50	(172)
Other	15,082 Oz				396
Total liability, net					(1,524)

32. Financial - risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise of trade accounts and other payables, and financial obligations. The main purpose of these financial instruments is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents and trade and other receivables that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management oversees the management of these risks. It is supported by a committee that advises on financial risks. This committee provides assurance to management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purpose are carried out by internal specialists that have the appropriate skills, experience and supervision.

There were no changes in the objectives, policies or processes during the years ended December 31, 2017, 2016 and 2015.

The Board of Directors reviews and agrees policies for managing each of these risks, which are described below:

(a) Market risk -

Market risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate because of changes in market prices. Market risks that apply to the Group comprise four types of risk: exchange rate risk, commodity risk, interest rate risk and other risk of price, such as the risk of the stock price. Financial instruments affected by market risks include time deposits, financial obligations, embedded derivatives and derivative financial instruments.

The sensitivity analyses in this section relate to the positions as of December 31, 2017, 2016 and 2015, and have been prepared considering that the proportion of financial instruments in foreign currency are constant.

(a.1) Exchange rate risk

The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the Group´s operating activities in Soles. The Group mitigates the effect of exposure to exchange-rate risk by carrying out almost all of its transactions in its functional currency.

Excluding loans in soles, Management maintains smaller amounts in Soles in order to cover its needs in this currency (primarily taxes).

A table showing the effect on results of a reasonable change in foreign-currency exchange rates is presented below, with all other variables kept constant:

	Exchange-rate increase/decrease	**Effect on profit (loss) before income tax**
		US$(000)
2017		
Exchange rate	+10%	2,474
Exchange rate	-10%	(2,459)
2016		
Exchange rate	+10%	(924)
Exchange rate	-10%	926
2015		
Exchange rate	+10%	6,233
Exchange rate	-10%	(7,618)

(a.2) Commodity price risk

The Group is affected by the price volatility of the commodities. The price of mineral sold by the Group has fluctuated historically and is affected by numerous factors beyond its control. The Group manages its commodity price risk primarily through the use of sales commitments in customer contracts and hedge contracts for the metals sold by the subsidiary El Brocal.

The subsidiary El Brocal entered into derivative contracts that qualified as cash flow hedges, with the intention of covering the risk resulting from the fall in the prices of the metals. These derivative contracts are recorded as assets or liabilities in the statements of financial position and are stated at fair value. To the extent that these hedges were effective in offsetting future cash flows from the sale of the related production, changes in fair value are deferred in an equity account. The deferred amounts were reclassified to the appropriate sales when production was sold.

(a.3) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes' in market interest rates relates to the Groups' long-term financial obligations with floating interest rates.

A table showing the effect in profit or loss of the variations of interest rates:

	Increase/decrease of Libor rate (percentage rates)	**Effect on results** US$(000)
2017		
Interest rate	+10	(677)
Interest rate	-10	677
2016		
Interest rate	+10	333
Interest rate	-10	(333)
2015		
Interest rate	+10	294
Interest rate	-10	(294)

(b) Credit risk -

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivable) and from its financing activities, including deposits with banks and other financial instruments.

The Group invests the excess cash in financial leading institutions, sets conservative credit policies and constantly evaluates the market conditions in which it operates.

Trade accounts receivable are denominated in U.S. dollars. The Group's sales are made to domestic and foreign customers. See concentration of spot sales in note 20(b). An impairment analysis is performed on an individual basis.

Credit risk is limited to the carrying amount of the financial assets to the date of consolidated statements of financial position which is composed by cash and cash equivalents, trade and other receivables and derivative financial instruments.

(c) Liquidity risk -

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents and the possibility of committing or having financing committed through an adequate number of credit sources. The Group maintains suitable levels of cash and cash equivalents and has sufficient credit capacity to get access to lines of credit in leading financial entities.

The Group continually monitors its liquidity risk based on cash flow projections.

An analysis of the Group's financial liabilities classified according to their aging is presented below, based on undiscounted contractual payments:

	Less than 1 year US$(000)	**Between 1 and 2 years** US$(000)	**Between 2 and 5 years** US$(000)	**More than 5 years** US$(000)	**Total** US$(000)
As of December 31,2017 -					
Bank loans	96,580	-	-	-	96,580
Trade and other payables	219,379	663	-	-	220,042
Derivative financial instruments	28,705	-	-	-	28,705
Financial obligation	110,062	148,718	449,689	-	708,469
Contingent consideration liability	-	-	9,280	28,469	37,749
Total	454,726	149,381	458,969	28,469	1,091,545
As of December 31,2016 -					
Bank loans	55,000	-	-	-	55,000
Trade and other payables	253,062	-	-	15,982	269,044
Derivative financial instruments	3,863	-	-	-	3,863
Embedded derivative for sale of concentrates	1,524	-	-	-	1,524
Financial obligation	70,420	113,070	503,029	-	686,519
Contingent consideration liability	-	3,305	6,603	32,840	42,748
Total	383,869	116,375	509,632	48,822	1,058,698

(d) Capital management -
For purposes of the Group's capital management, capital is based on all equity accounts. The objective of capital management is to maximize shareholder value.

The Group manages its capital structure and makes adjustments to meet the changing economic market conditions. The Group's policy is to fund all projects of short and long term with their own operating resources. To maintain or adjust the capital structure, the Group may change the policy of paying dividends to shareholders, return capital to shareholders or issue new shares.

33. Fair value measurement

Fair value disclosure of assets and liabilities according to its hierarchy -

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

		Fair value measurement using		
	Total US$(000)	**Quoted prices in active markets (Level 1)** US$(000)	**Quoted prices in active markets (Level 2)** US$(000)	**Quoted prices in active markets (Level 3)** US$(000)
As of December 31, 2017				
Assets and liabilities measured at fair value:				
- Embedded derivatives for concentrates sales, net	7,424	-	7,424	-
- Contingent consideration liability	17,570	-	-	17,570
- Hedge instruments	28,705	-	28,705	-
As of December 31, 2016				
Liabilities measured at fair value:				
- Embedded derivatives for concentrates sales, net	1,524	-	1,524	-
- Contingent consideration liability	19,343	-	-	19,343
- Hedge instruments	3,863	-	3,863	-

Financial instruments whose fair value is similar to their book value –

For financial assets and liabilities such as cash and cash equivalents, trade and other receivables, trade and other payables that are liquid or have short-term maturities (less than three months), it is estimated that their book value is similar to their fair value. The derivatives are also recorded at the fair value so that differences do not need to be reported.

The fair value of embedded derivatives is determined using valuation techniques with information directly observable in the market (future metal quotations).

Financial instruments at fixed and variable rates -
The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is determined by comparing the market interest rates at the time of their initial recognition to the current market rates with regard to similar financial instruments. The estimated fair value of deposits that accrue interest is determined by means of cash flows discounted using the prevailing market interest rates in the currency with similar maturities and credit risks.

Based on the foregoing, there are no important existing difference between the value in books and the fair value of the assets and financial liabilities as of December 31, 2017 and 2016.