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

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

Consolidated Financial Statements for the years 2019, 2018 and 2017, together with the Report of Independent Registered Public Accounting Firm

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

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

Consolidated Financial Statements for the years 2019, 2018 and 2017, together with the Report of Independent Registered Public Accounting Firm

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Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

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

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, 2019 and 2018, 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, 2019, 2018 and 2017, 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.

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Translation of a report and consolidated financial statements originally issued in Spanish - See Note 36 to 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, 2019 and 2018 and their financial performance and cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Lima, Perú,
February 20, 2020

Countersigned by: Paredes, Burga & Asociados

Katherine Villanueva
C.P.C.C. Matrícula No. 36892

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

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

Consolidated statements of financial position

As of December 31, 2019 and 2018

	Notes	2019 US$(000)	2018 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	210,046	369,200
Trade and other receivables, net	7(a)	287,712	211,715
Inventories, net	8(a)	97,973	135,919
Income tax credit		31,919	24,396
Prepaid expenses	9(a)	20,969	17,145
Hedge derivative financial instruments	32	–	2,759
		648,619	761,134
Non-current assets			
Trade and other receivables, net	7(a)	88,515	40,593
Inventories, net	8(a)	394	3,812
Income tax credit		–	319
Investments in associates and joint ventures	10(a)	1,488,247	1,473,382
Mining concessions, development costs, right-of-use asset, property, plant and equipment, net	11(a)	1,754,372	1,847,615
Investment properties, net		204	222
Deferred income tax asset, net	28(b)	74,556	38,305
Prepaid expenses	9(a)	25,692	26,578
Other assets, net	12(a)	26,675	25,261
		3,458,655	3,456,087
Total assets		4,107,274	4,217,221
Liabilities and shareholders' equity, net			
Current liabilities			
Bank loans	13	55,000	95,000
Trade and other payables	14(a)	166,244	188,084
Provisions, contingent liabilities and other liabilities	15(a)	72,771	68,172
Income tax payable		5,650	1,760
Financial obligations	16(a)	265,692	46,166
		565,357	399,182
Non-current liabilities			
Trade and other payables	14(a)	616	639
Provisions, contingent liabilities and other liabilities	15(a)	221,736	199,762
Financial obligations	16(a)	305,996	540,896
Contingent consideration liability	27(b)	16,410	15,755
Deferred income tax liabilities, net	28(b)	28,959	31,422
		573,717	788,474
Total liabilities		1,139,074	1,187,656
Shareholders' equity, net	17		
Capital stock		750,497	750,497
Investment shares		791	791
Additional paid-in capital		218,450	218,450
Legal reserve		163,168	163,115
Other reserves		269	269
Retained earnings		1,639,658	1,675,909
Other reserves of equity		(1,311)	(703)
Shareholders 'equity, net attributable to owners of the parent		2,771,522	2,808,328
Non-controlling interest	18(a)	196,678	221,237
Total shareholders' equity, net		2,968,200	3,029,565
Total liabilities and shareholders' equity, net		4,107,274	4,217,221

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

Consolidated statements of profit

For the years ended December 31, 2019, 2018 and 2017

	Notes	2019 US$(000)	2018 US$(000)	2017 US$(000)
Continuing operations				
Operating income				
Net sales of goods	20(b)	821,930	1,106,329	1,187,206
Sales of services	20(b)	23,661	24,001	29,697
Royalty income	20(b)	22,297	20,385	20,739
Total operating income		867,888	1,150,715	1,237,642
Operating costs				
Cost of sales of goods, excluding depreciation and amortization	21(a)	(512,874)	(613,381)	(604,650)
Cost of sales of services, excluding depreciation and	21(b)	(3,378)	(4,318)	(12,954)
Depreciation and amortization		(226,335)	(238,879)	(210,154)
Exploration in operating units	22	(44,163)	(89,730)	(89,311)
Mining royalties	23	(12,832)	(21,388)	(30,884)
Total operating costs		(799,582)	(967,696)	(947,953)
Gross profit		68,306	183,019	289,689
Operating expenses, net				
Administrative expenses	24	(76,297)	(77,099)	(80,666)
Selling expenses	20(e)	(24,313)	(26,948)	(23,043)
Exploration in non-operating areas	25	(11,879)	(36,307)	(18,262)
Impairment recovery (loss) of long-lived assets	11(b)	(2,083)	5,693	(21,620)
Reversal (provision) of contingent and others		2,968	11,248	(13,740)
Write – off of stripping activity asset	11(g)	–	–	(13,573)
Other, net	26	(14,715)	(1,308)	(13,230)
Total operating expenses, net		(126,319)	(124,721)	(184,134)
Operating profit (loss)		(58,013)	58,298	105,555
Other income (expense), net				
Share in the results of associates and joint ventures	10(b)	47,710	(1,144)	13,207
Finance income	27	9,675	9,685	5,517
Finance costs	27	(42,173)	(38,422)	(34,551)
Net gain (loss) from currency exchange difference		(734)	(1,384)	2,939
Total other income (expenses), net		14,478	(31,265)	(12,888)
Profit (loss) before income tax		(43,535)	27,033	92,667
Current income tax	28(c)	(11,911)	(16,882)	(23,713)
Deferred income tax	28(c)	37,501	(9,997)	5,825
Profit (loss) from continuing operations		(17,945)	154	74,779
Discontinued operations				
Net loss from discontinued operations attributable to equity holders of the parent	1(e)	(10,514)	(11,808)	(10,344)
Profit (loss) for the year		(28,459)	(11,654)	64,435
Attributable to:				
Equity holders of the parent		(12,208)	(13,445)	60,823
Non-controlling interest	18(a)	(16,251)	1,791	3,612
		(28,459)	(11,654)	64,435
Basic and diluted profit (loss) per share attributable to equity holders of the parent, stated in U.S. dollars	17(e)	(0.05)	(0.05)	0.24
Profit (loss) for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars	17(e)	(0.01)	(0.02)	0.28

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

Consolidated statements of other comprehensive income

For the years ended December 31, 2019, 2018 and 2017

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Net profit (loss)	(28,459)	(11,654)	64,435
Other comprehensive profit (loss):			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net change in unrealized gain (loss) on cash flow hedges, note 32	(2,759)	31,464	(26,822)
Income tax effect	813	(9,916)	7,963
Unrealized gain on investments, net of income tax effect	(291)	1,053	(427)
	(2,237)	22,601	(19,286)
Total other comprehensive profit (loss), net of	(30,696)	10,947	45,149
Attributable to:			
Equity holders of the parent	(12,816)	(260)	48,718
Non-controlling interests	(17,880)	11,207	(3,569)
	(30,696)	10,947	45,149

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

Consolidated statements of changes in equity

For the years ended December 31, 2019, 2018 and 2017

	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, 2017	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 income (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)
Expired dividends, note 17(c)	–	–	–	–	327	–	–	–	327	–	327
Change in non-controlling interest, note 18(a)	–	–	–	–	–	–	–	–	–	(927)	(927)
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
Net profit (loss)	–	–	–	–	–	–	(13,445)	–	(13,445)	1,791	(11,654)
Other comprehensive income	–	–	–	–	–	–	–	13,185	13,185	9,416	22,601
Total other comprehensive income (loss)	–	–	–	–	–	–	(13,445)	13,185	(260)	11,207	10,947
Dividends declared and paid, note 17(d)	–	–	–	–	–	–	(22,860)	-	(22,860)	(5,560)	(28,420)
Change in investments, note 10(b)	–	–	–	–	–	–	(16,633)	–	(16,633)	–	(16,633)
Expired dividends, note 17(c)	–	–	–	–	44	–	–	–	44	–	44
As of December 31, 2018	253,715,190	750,497	791	218,450	163,115	269	1,675,909	(703)	2,808,328	221,237	3,029,565
Effect of new standards, note 2.3	–	–	–	–	–	–	(1,160)	–	(1,160)	(179)	(1,339)
As of January 1, 2019 (restructured)	253,715,190	750,497	791	218,450	163,115	269	1,674,749	(703)	2,807,168	221,058	3,028,226
Net profit (loss)	–	–	–	–	–	–	(12,208)	–	(12,208)	(16,251)	(28,459)
Other comprehensive loss	–	–	–	–	–	–	–	(608)	(608)	(1,629)	(2,237)
Total other comprehensive income (loss)	–	–	–	–	–	–	(12,208)	(608)	(12,816)	(17,880)	(30,696)
Dividends declared and paid, note 17(d)	–	–	–	–	–	–	(22,098)	–	(22,098)	(6,500)	(28,598)
Change in investments, note 10(b)	–	–	–	–	–	–	(785)	–	(785)	–	(785)
Expired dividends, note 17(c)	–	–	–	–	53	–	–	–	53	–	53
As of December 31, 2019	253,715,190	750,497	791	218,450	163,168	269	1,639,658	(1,311)	2,771,522	196,678	2,968,200

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

Compañía de Minas Buenaventura S.A.A. and Subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2019, 2018 and 2017

	Notes	2019 US$(000)	2018 US$(000)	2017 US$(000)
Operating activities				
Proceeds from sales		783,000	1,216,294	1,197,523
Recovery from IVA and other taxes		45,712	106,656	102,548
Dividends received	30(a)	33,388	46,792	9,823
Royalty received		23,001	20,013	21,565
Interest received		4,265	2,383	3,169
Proceeds from insurance claim	26(c)	–	38,793	–
Payments to suppliers and third parties		(610,737)	(861,282)	(872,467)
Payments to employees		(137,300)	(151,602)	(160,891)
Payments for tax litigation	7(g)	(36,322)	–	–
Interest paid		(28,266)	(27,699)	(30,402)
Income tax paid		(24,935)	(30,898)	(38,121)
Payments of mining royalties		(4,741)	(13,190)	(20,165)
Net cash and cash equivalents provided by operating activities		47,065	346,260	212,582
Investing activities				
Proceeds from sale of concessions, development costs, property, plant and equipment to third parties		726	2,240	1,962
Additions to mining concessions, development costs, property, plant and equipment	11(a)	(102,627)	(111,270)	(259,507)
Payments for acquisition of other assets	12(a)	(3,700)	(8,529)	(5,405)
Proceeds from collection of loan to an associate	30(a)	–	–	124,800
Net cash and cash equivalents used in investing activities		(105,601)	(117,559)	(138,150)
Financing activities				
Proceeds from bank loans	13	55,000	95,000	341,215
Payments of bank loans	13	(95,000)	(95,000)	(300,000)
Proceeds from financial obligations	16(f)	161,894	–	80,000
Payments of financial obligations	16(f)	(186,152)	(45,222)	(32,599)
Short-term lease payments	16(f)	(7,596)	–	–
Dividends paid to controlling shareholders	14(c)	(22,098)	(22,860)	(22,099)
Dividends paid to non-controlling shareholders	17(d)	(6,500)	(5,560)	(6,036)
Decrease (increase) of restricted bank accounts	7(e)	(166)	(410)	(285)
Acquisition of non-controlling interest	18(a)	–	–	(621)
Net cash and cash equivalents provided by (used in) financing activities		(100,618)	(74,052)	59,575
Increase (decrease) in cash and cash equivalents for the year, net		(159,154)	154,649	134,007
Cash and cash equivalents at beginning of year		369,200	214,551	80,544
Cash and cash equivalents at year-end		210,046	369,200	214,551
Financing and investing activities not affecting cash flows:				
Changes in estimates of mine closures plans	15(b)	26,722	42,874	10,594
Accounts receivable from sale of assets	7(a)	21,648	2,715	5,371
Fair value for contingent consideration liability	27(b)	(655)	1,815	1,773

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

Notes to the consolidated financial statements

For the years 2019, 2018 and 2017

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 Company operates directly four operating mining units in Peru (Uchucchacua, Orcopampa, Julcani and Tambomayo), three discontinued mining units (Mallay, Poracota and Shila-Paula), and one mining unit under development stage (San Gabriel). In addition, the Company 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, and other activities. All these activities are carried out in Peru.

(c) Approval of consolidated financial statements -

The consolidated financial statements as of December 31, 2019 were approved and authorized for issue by the Board of Directors on February 20, 2020 and subsequent events have been considered through that date. They will then be presented for approval by the Company’s shareholders meeting on March 31, 2020. Those shareholders have the authority to approve and or otherwise modify the consolidated financial statements.

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

	Country of incorporation and business	Ownership as of December 31,			
		2019		2018	
		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	3.19	58.24	3.19	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
Insurance brokerage:					
Contacto Corredores de Seguros S.A.	Peru	99.98	0.02	99.98	0.02
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, 2019 and 2018, the participation of the Company in the voting rights of El Brocal is 61.43 percent. Inversiones Colquijirca S.A. (hereafter “Colquijirca”), a Group’s subsidiary (99.99 percent as of December 31, 2019 and 2018), has an interest in El Brocal’s capital stock, through which the Company holds an indirect participation in El Brocal of 58.24 percent as of December 31, 2019 and 2018.

(e) Discontinued operations

During 2019, the Group decided to classify its Mallay mining unit as discontinued. According to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the Group reclassified revenues and expenses related to this mining unit for the years 2018 and 2017 to the “Net loss from discontinued operations attributable to equity holders of the parent” caption.

During 2017, the Group sold the Breapampa and Recuperada mining units for US$2.0 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$4.0 million.

During 2017, as a result of the sales in 2017 and 2016, the Company 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$11.8 million.

The net cash flows used by the mining units with discontinued operations are presented below:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Operating activities	(2)	1,800	1,732
Investing activities	-	(1,817)	(1,796)
Decrease in cash and cash equivalents for the year	(2)	(17)	(64)

The results of the discontinued operations mining units for the years 2019, 2018 and 2017 are presented below:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Net sales	97	16,666	36,736
Cost of sales	(2)	(15,261)	(32,301)
Gross profit	95	1,405	4,435
Operating income (expenses), net			
Administrative expenses	(8,048)	(1,661)	(3,872)
Changes in provision for closure of mining units, note 15(b)	(1,912)	(6,013)	(12,701)
Reversal (provision) for impairment of inventories, note 8(c)	(320)	–	1,345
Reversal (provision) for contingencies	(134)	(9)	(562)
Derecognition of long-lived assets	(44)	(5,100)	–
Net loss in sale of mining units	–	–	(18,550)
Reversal of Impairment loss of long-lived assets, note 11(b)	–	2,837	17,197
Reversal of provision for closure of mining units for sale of mining units	–	–	11,700
Others, net	117	(3,162)	(8,438)
Total operating expenses, net	(10,341)	(13,108)	(13,881)
Operating loss	(10,246)	(11,703)	(9,446)
Other income (expense), net			
Finance costs, note 15(b)	(266)	(88)	(766)
Net gain (loss) from currency exchange difference	(2)	30	(10)
Total other expenses, net	(268)	(58)	(776)
Loss before income tax	(10,514)	(11,761)	(10,222)
Income tax	–	(47)	(122)
Loss from discontinued operations	(10,514)	(11,808)	(10,344)
Loss from the discontinued operations, per basic and diluted share, express in U. S. dollars	(0.04)	(0.03)	(0.04)

2. Basis for preparation, consolidation and accounting policies

2.1. Basis of preparation -

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

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 and financial assets and liabilities that have been measured at fair value and discontinued operations that have been valued at the lower of (i) their carrying amount and (ii) its fair value less cost to sell.

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 requires 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 consolidated 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.

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

2.3. Changes in accounting policies and disclosures -

The Group applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 Leases,
- Interpretation 23 Uncertainty over Income Tax Treatments,
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle.

The Group had to change its accounting policies as a result of adopting IFRS 16. The other amendments listed above did not have any impact on the amounts recognized in prior periods.

Several other amendments and interpretations apply for the first time in 2019; but do not have an impact on the consolidated financial statements of the Group and therefore, have not been disclosed. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases -

The Group adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position as of January 1, 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases that had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019 (the weighted average incremental borrowing rate at transition was 5% per annum). The effect of adopting IFRS 16 is as follows:

Impact on the consolidated statement of financial position (increase / (decrease)) –

	As of December 31, 2019	**As of January 1, 2019**
	US$(000)	US$(000)
Assets		
Mining concessions, development costs, right-of-use asset, property, plant and equipment, net	6,185	18,528
Deferred income tax asset, net	390	400
Total assets	6,575	18,928
Liabilities		
Financial obligations	7,503	19,885
Total liabilities	7,503	19,885
Shareholders’ equity, net		
Retained earnings	(928)	(957)
Total shareholders’ equity, net	(928)	(957)

Impact on the consolidated statement of profit or loss (income / (expense)) -

	As of December 31, 2019
	US$(000)
Operating costs	
Cost of sales of goods, excluding depreciation and amortization	5,991
Depreciation and amortization	(6,751)
Total operating costs	(760)
Operating profit	
Administrative expenses	272
Others, net	155
Total operating profit	427
Other income (expense), net	
Finance costs	379
Profit (loss) before income tax	46

Impact on the consolidated statement of cash flows (increase / (decrease)) -

	2019 US$(000)
Operating lease payments	(24,175)
Net cash flows used in operating activities	(24,175)
Short-term lease payments	(7,596)
Net cash flows used in financial activities	(7,596)

Practical expedients applied -

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard: i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics, ii) accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases, iii) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group also elected the transition practical expedient to not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4.

Below is a reconciliation between the balance of assets and liabilities as of January 1, 2019 under IFRS 16 compared with operating leases under IAS 17 as of December 31, 2018:

	US$(000)
Operating lease commitments disclosed as of December 31, 2018	7,330
New operating leases commitments under IFRS 16	16,221
Exceptions:	
- Short-term leases not recognized as a liability	(547)
- Low-value leases not recognized as a liability	(3,119)
Additional lease liability recognized as of January 1, 2019	19,885
Plus: Lease liability already recognized as of December 31, 2018	241,653
Lease liability as of January 1, 2019	261,538

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17, therefore the Group did not need to adjust the accounting for assets held as lessor under operating leases, as a result of the adoption of IFRS 16.

Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
-
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that it is probable that the taxation authorities will accept its tax treatments.

The effect of adopting IFRIC 23 is a follow:

Impact on the consolidated statement of financial position (increase / (decrease)) –

	As of December 31, 2019	**As of January 1, 2019**
	US$(000)	US$(000)
Liabilities		
Income tax payable	382	382
Total liabilities	382	382
Shareholders' equity, net		
Retained earnings	(382)	(382)
Total shareholders' equity, net	(382)	(382)

Annual Improvements to IFRS Standards 2015 – 2017 Cycle

- IFRS 3 Business Combinations

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation to fair value. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments did not have an impact on the consolidated financial statements of the Group, as there was no transaction in the year where joint control was obtained.

- IFRS 11 Joint Arrangements

  An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which the entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 with early application permitted.

  These amendments did not have an impact on the consolidated financial statements of the Group, as there was no transaction in the year where joint control was obtained in relation of an arrangement the Group previously participated in.

- IAS 12 Income Taxes

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

- IAS 23 Borrowing Costs

  The amendments clarify that an entity treats, as part of general borrowings, any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which it first applies those amendments. The entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with the amendments, they had no impact on the consolidated financial statements of the Group.

2.4. Summary of significant accounting policies -

(a) Foreign currencies -

The Group´s consolidated financial statements are presented in US dollars, which is also the parent company'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. For consolidation purposes, each entity presents its financial statements in US dollars.

Transactions and balances

Transactions in foreign 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.

Differences arising from the settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of a hedge. These are recognized in other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

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 subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI) ¨ on the principal amount outstanding. This assessment is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a period established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Subsequent measurement -

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

- Financial assets at amortized cost.
- Financial assets at fair value through OCI.
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost -

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category generally applies to other receivables included in the “Trade and other receivables, net” caption.

Financial assets at fair value through OCI -

Financial assets are classified and measured at fair value through OCI if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This category generally applies to the “Hedge derivative financial instruments” caption.

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 or financial assets mandatorily required to be measured at fair value. 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognized in the consolidated statements of profit or loss.

This category generally applies to the trade receivables included in the "Trade and other receivables, net" caption.

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; or
- 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 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 recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due according to each contract. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities -

Initial recognition and measurement -

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

The Group’s financial liabilities include trade and other payables, financial obligations, bank loans, financial liabilities for contingent consideration liability and Hedge derivative financial instruments.

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 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 IFRS 9. 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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has designated financial liabilities for contingent consideration liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings) -
After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortization is included in the "Financial costs" caption in the consolidated statements of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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" caption presented in the consolidated statements of financial position comprise cash at banks and on hand, and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(d) Inventories -

Inventories 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 expected amounts to be processed within the next twelve months. Inventories not expected to be processed within the next twelve months are classified as non-current.

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

Any provision for obsolescence of spare parts and supplies is determined by reference to specific items of stock based on inventory turnover level. A regular review is undertaken to determine the extent of any provision for obsolescence.

(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" caption.

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 include the separation of embedded derivatives in host contracts by the acquire.

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 IFRS 9 Financial Instruments, 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 IFRS 9, it is measured under the fair value at the reporting date with changes in the fair value recorded in the consolidated statement of profit or loss.

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 allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities, of the 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 and joint ventures -

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under this method, the investment in an associate or joint venture 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 and joint ventures 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 and joint ventures. Any change in OCI 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 and joint ventures, 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 or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group´s share of profit or loss of an associate and joint ventures 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 and joint ventures.

The financial statements of the associates and joint ventures 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 and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates and joint ventures 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 and joint ventures, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and joint ventures 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.

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. In addition, 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	6 to 20
Machinery and equipment	5 to 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 Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee -

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets -

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the related assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities -

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The Group do not have variable lease payments that do depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included "Financial obligation" caption.

iii) Short-term leases and leases of low-value assets -

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment without renew option. It also applies the lease of low-value assets recognition exemption to leases of office equipment, which are considered low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor –

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in "Other, net" in the statement of profit or loss due to its operating nature. Initial direct costs 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 that contains ore reserves acquired. Mining concessions are irrevocable, provided the holder of a mining concession complies with the obligations set forth in the General Mining Law. Such concessions have an indefinite term, subject to payment of an annual concession fee per hectare granted and achievement of minimum annual production for each hectare. Mining concessions are stated at cost and are amortized on units of production method, using as the basis 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 probable of economic extraction at the time of a business combination.

At year-end, the Group evaluates if there is any indicator of impairment. If any indicator exists, the Group estimates the mining concession's recoverable amount.

Mining concessions are presented in the caption of “Mining concessions, development costs, right-of-use asset, 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 “Mining concessions, development costs, right-of-use asset, property, plant and equipment, net” caption. 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 mineral 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 is the accumulation of costs directly incurred to perform the stripping activity directly incurred during the stripping activity. The production stripping cost is presented within “Mining concessions, development costs, right-of-use asset, property, plant and equipment, net” caption 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 when either 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. The amount of consideration to be included in the gain or loss arising from derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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 (i) an asset's or cash-generating unit' (CGU) fair value less costs of disposal and (ii) its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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 post-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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows limited to the live of the mine.

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 non-financial 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 -

The Group records a provision for closure of mining units when a legally enforceable obligation arises, which is independent of the full depletion of the mine reserves.

The Group recognizes a provision for closure of mining units once the obligation has been properly measured. The liability is initially recognized at the present value of the estimated costs and is capitalized as part of the carrying amount of the related mining assets (property, plant and equipment). 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 closure or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the provision for closure and a corresponding adjustment to the related mining asset. Any reduction in the provision for closure and, therefore, any deduction from the mining asset to which it relates, may not exceed the carrying amount of the mining 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 provision for closure and, therefore, an addition to the carrying value of the mining asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, the Group performs an impairment test.

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

(p) Treasury shares -

The Group´s 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 from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

The Group has concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Net sales of goods (concentrates and metals) -

Revenue from sale of concentrates and metals is recognized at the point in time when control of the asset is transferred to the customer, on delivery of the goods, including transportation. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations, to which a portion of the transaction price needs to be allocated. The Group considers that the only performance obligation is the delivery of the goods. In determining the transaction price for the sale of concentrates and metals, the Group considers the effect of variable consideration and the existence of significant financing components.

Variable consideration -

If the consideration in the contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal for revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group´s sales of concentrates and metal allow for price adjustments based on the market price at the end of the relevant quotation period (QP) stipulated in the contract. These are referred as to 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. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP.

Sales of concentrates and metals at provisionally prices include a gain (loss) to be received at the end of QP; this is considered a variable consideration. Changes in the price during the quotation period are recognized in the “Net sales of goods” caption as fair value of accounts receivables.

For provisional pricing arrangements, any future change that occur over the QP are embedded within the provisionally price trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cashflow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition and until the date of settlement. The subsequent changes in fair value are recognized in the consolidated statements of profit or loss each period and presented separately from revenue from contracts with customer as part of “fair value gain/losses on provisionally priced trade receivables”. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations set out in IFRS 13, including interest rate and credit risk adjustments.

Revenue is recognized at the amount the Group expects to be entitled. The estimate of the price expected to be received at the end of the QP is generally the month of, the month before, or the month following the scheduled month of shipment or delivery according to the terms of the contracts, using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price. The requirements in IFRS 15 on constraint estimates of variable consideration are also applied to determine the amount of variable consideration that can be included in the transaction price.

Sales of services -

Services are recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. For measuring progress of the services, the Group used the output method in measuring progress of the services due to the Group has the right to invoice an amount that corresponds directly to the performance completed to date.

Significant financing components

The Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when customer pays for that good will be one year or less.

Contract Balances -

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group´s right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If customer pays consideration before the Group transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group pays sales commissions as part of the sales of services in the insurance brokerage segment. The Group has elected to apply the optional practical expedient for cost to obtain a contract which allows the Group to immediately expense sales commissions because the amortization period of the assets that the Group otherwise would have used is one year or less.

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 when the later of the following events occurs: the subsequent sales occur or the performance obligation is satisfied (or partially satisfied).

Dividends -

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

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 “Other, net” in the consolidated statement of profit or loss due to its operating nature.

(r) Benefits to employees -

Salaries and wages, bonuses 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. The Group defines a qualifying asset as one which 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 near 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 profit and loss, OCI 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 –

In accordance with Law No.28258, as amended by Law No. 29788, mining royalties are either payable as the higher of as a specified percentage of operating profit or 1% of revenues. If the mining royalty is calculated as a percentage of operating profit, marginal rates ranging from 1% to 12% that increase progressively for companies with higher operating margins will apply.

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 tax 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 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). 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 hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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 “Other equity reserves” caption, while the ineffective portion is recognized immediately in the consolidated statements of profit or loss in the “Finance costs” caption.

(w) Discontinued operations -

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.

(x) Other assets -

Other assets represents patents and industrial property, right-of-use related to rights of way, and software licenses. Patents and industrial property and right-of-use are amortized over their useful economic lives. Software licenses are amortized over the straight-line method, using useful lives from 1 to 10 years.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Internally generated intangibles, excluding capitalized development costs, are not capitalized. Instead, the related expenditure is recognized in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

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 affects 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.

(d) Useful life of property, plant and equipment
Depreciation is calculated under the straight-line method of accounting considering the lower of estimated useful lives of the assets or estimated reserves of the mining unit. See Note 2.4(h) for useful lives.

(e) Revenue from contracts with customers -
The Group applied the judgement for determining the timing of satisfaction of services of revenue from contracts with customers. The Group concluded that revenue related to services such as energy generation and transmission, industrial services, and other services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group determined that the output method is the best method in measuring progress of the services mentioned above due to the Group has the right to invoice an amount that corresponds directly to the performance completed to date.

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 -
Recoverable proven and probable reserves and resources are the part of a mineral deposit than can be economically and legally extracted or produced at the time of the reserve and resources determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of reserves and resources requires the Group to determine the size, shape and depth of its ore bodies by analyzing geological data, such as sampling of drill holes, tunnes and other underground workings. In addition to the geology of the Group’s mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods the Group uses and the related cost incurred to develop and mine its reserves and resources. The process to estimate proven and probable ore reserves and resources is audited by an independent consultant each year.

All estimated reserves and resources represent estimated quantities of mineral proven and probable that under current conditions can be economically and legally processed. Reviews could occur on reserve and resources 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 and resources could affect mainly the depreciation of fixed assets related directly to mining activity, the provision for mine closure, the assessment of the deferred asset's recoverability and the amortization period for development costs.

(b) Units of production depreciation -
Reserves and resources are used in determining the depreciation and amortization of mine-specific assets.

This results in a depreciation or amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each mine's life is assessed annually to evaluate: (i) physical life limitations and (ii) present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes are recorded prospectively.

(c) Provision for closure of mining units -
The Group assesses its provision for closure of mining units at each reporting date using a discounted future cash flow method. In determining the amount of the provision, it is necessary to make significant assumptions and estimates, because exist many factors that can affect the final amount of this provision. These factors include estimates of the extent and costs of closure activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates and periods where are expected that such costs will be incurred. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents Management's best estimate of the present value of the future closure costs required.

(d) Inventories -
Inventories are classified as current or non-current depending on the length of time that Management estimates will be needed to reach the production state of concentrate extraction for each 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. Additionally, Management considers the time value of money in calculating the net realizable value of its non-current inventories.

Classified minerals, which are materials with metal content that were removed from the pit of the Colquijirca mining unit for treatment at the expansion operation plant, contain lower grade ore than the average of treated minerals and are available to continue in the process of recovery of mineral and concentrates. Because it is generally impracticable to determine the mineral contained in the classified mineral located in the deposit field near Tajo Norte by physical count, reasonable estimation methods are employed. The quantity of minerals delivered to classified mineral is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper, lead and zinc grades of material delivered to classified minerals.

For minerals outside leach platform inventories, finished and in-progress goods are measured by estimating the number of tons added and removed. The number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Tonnages and ounces of mineral are verified by periodic surveys.

For minerals inside leach platform inventories, reasonable estimation methods are employed because it is generally impracticable to determine the mineral contained in leach platforms by physical count. The quantity of material delivered to leach platforms are based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated ore grades of material delivered to leach platforms.

(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 the higher of (i) the fair value less costs of disposal and (ii) 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) Deferred income tax asset and recoverability -
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
Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Amendments to IFRS 3: Definition of a Business -
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material -
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments to the definition of material is not expected to have a significant impact on the Group’s consolidated financial statements.

5. Transactions in soles

Transactions in soles are completed using exchange rates published by the Superintendent of Banks, Insurance and A.F.P. As of December 31, 2019, the exchange rates for U.S. dollars published by this Institution were US$0.3020 for buying and US$0.3015 for selling (US$0.2968 for buying and US$0.2959 for selling as of December 31, 2018), and have been applied by the Group for the assets and liabilities accounts, respectively.

As of December 31, 2019 and 2018, the Group presents the following assets and liabilities originally denominated in soles by its equivalent in U.S. dollars:

	2019 US$(000)	2018 US$(000)
Assets		
Cash and cash equivalents	6,796	11,526
Trade and other receivables	139,624	88,513
Income tax credit	31,960	24,277
	178,380	124,316
Liabilities		
Trade and other payables	(60,311)	(53,962)
Income tax payable	(5,692)	(2,080)
Provisions, contingent liabilities and other liabilities	(41,515)	(31,282)
	(107,518)	(87,324)
Net asset position	70,862	36,992

6. Cash and cash equivalents

(a) This caption is made up as follows:

	2019 US$(000)	2018 US$(000)
Cash	304	347
Bank accounts (b)	37,836	57,078
Time deposits (c)	171,906	311,775
	210,046	369,200

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

(c) As of December 31, 2019 and 2018, time deposits were kept in prime financial institutions, which generated interest at annual market rates and have current maturities, according to the immediate cash needs of the Group.

7. Trade and other receivables, net

(a) This caption is made up as follows:

	2019	2018
	US$(000)	US$(000)
Trade receivables, net (b)		
Domestic clients	141,005	105,225
Foreign clients	78,860	56,312
Related entities, note 30(b)	6,247	7,177
	226,112	168,714
Allowance for expected credit losses (f)	(22,016)	(22,013)
	204,096	146,701
Other receivables		
Value added tax credit	53,754	49,332
Tax claims (g)	42,602	2,573
Accounts receivables to third parties	31,478	24,625
Due from for sales of assets (h)	21,648	2,715
Advances to suppliers	9,275	7,542
Tax deposits (d)	6,644	4,769
Refund applications of value added tax (c)	3,643	6,574
Interest receivables	3,244	3,000
Related entities, note 30(b)	2,967	3,705
Restricted bank accounts (e)	2,510	2,782
Dividends receivables	2,501	-
Loans to personal	1,128	1,392
Account receivables from hedges derivatives	-	3,949
Other minor	743	2,738
Allowance for expected credit losses (f)	(10,006)	(10,089)
	172,131	105,607
Total trade and other receivables, net	376,227	252,308
Classification by maturity:		
Current portion	287,712	211,715
Non-current portion	88,515	40,593
Total trade and other receivables, net	376,227	252,308
Classification by nature:		
Financial receivables	318,830	196,402
Non-financial receivables	57,397	55,906
Total trade and other receivables, net	376,227	252,308
Classification by measurement :		
Trade receivables (without provisional prices)	38,550	39,152
Trade receivables (with provisional prices)	165,546	107,549
Other accounts receivables	172,131	105,607
Total trade and other receivables, net	376,227	252,308

(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) Corresponds mainly to current year applications that are pending as of December 31, 2019.

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

(e) These balances correspond mainly to collections that are charged into restricted bank accounts that only can be used for the 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. Below is presented the movement:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	2,782	2,372	2,087
Increase	166	410	285
Decrease	(438)	–	–
Final balance	2,510	2,782	2,372

(f) Below is presented the movement in the allowance for expected credit losses:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	32,102	32,184	31,607
Provision for other receivable, note 26	25	1,334	–
Provision for trade receivables, note 24	–	18	676
Provision of the period	25	1,352	676
Write off of the period	(162)	(410)	–
Exchange difference	57	(173)	–
Reversals of the period, note 26	–	(45)	(99)
Other minor	–	(806)	–
Final balance	32,022	32,102	32,184
Trade receivables	22,016	22,013	22,823
Other receivables	10,006	10,089	9,361
	32,022	32,102	32,184

The allowance for expected credit losses of other receivables is related to provisions of accounts receivables to third parties.

In the opinion of the Group’s Management, the balance of the allowance for expected credit losses is sufficient to cover adequately the risks of failure to date of the consolidated statement of financial position.

(g) Corresponds mainly to claims to the Tax Administration mainly with Buenaventura, El Brocal and Rio Seco for US$36.3 million, US$2.5 million and US$3.4 million, respectively. In the opinion of the Group and its legal advisors, a favorable result should be obtained in the judicial process that has been initiated, see note 29(e).

(h) On September 5, 2019, Consorcio Energético de Huancavelica S.A. signs a contract of sale of the systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema with Conelsur LT S.A.C. for US$21,023,000.

8. Inventories, net

(a) This caption is made up as follows:

	2019	**2018**
	US$(000)	US$(000)
Finished goods	2,084	7,715
Products in process (b)	47,652	73,796
Spare parts and supplies	74,033	81,383
	123,769	162,894
Provision for impairment of value of inventory (c)	(25,402)	(23,163)
	98,367	139,731
Classification by use:		
Current portion	97,973	135,919
Non-current portion	394	3,812
	98,367	139,731

(b) Products in process include mainly to mineral in process of El Brocal for 1,592,905 Dried Metric Ton (DMT) amounting to US$31.2 million (2,254,874 DMT amounting to US$39.9 million as of December 31, 2018).

(c) The provision for impairment of value of inventory had the following movement during the years 2019, 2018 and 2017:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	23,163	11,603	8,386
Continuing operations:			
Provision for impairment of finished and in progress goods, note 21(a)	7,329	4,640	2,118
Reversal for impairment of finished and in progress goods, note 21(a)	(9,472)	(119)	–
Provision for impairment of spare parts and supplies, note 26(a)	15,703	11,704	4,814
Reversal for impairment of spare parts and supplies, note 26(a)	(11,641)	(4,665)	(2,370)
Discontinued operations, note 1(e):			
Provision for impairment of spare parts and supplies	843	–	–
Reversal for impairment of spare parts and supplies	(523)	–	(1,345)
Final balance	25,402	23,163	11,603

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:

	2019 US$(000)	2018 US$(000)
Prepaid rentals (b)	26,582	27,464
Prepaid insurances	13,568	12,486
Deferred costs of works for taxes	4,138	2,407
Other prepaid expenses	2,373	1,366
	46,661	43,723
Classification by maturity:		
Current portion	20,969	17,145
Non-current portion	25,692	26,578
	46,661	43,723

(b) This item corresponds mainly to rent paid in advance to EDEGEL for an original amount of US$31,007,190 corresponding to the right to use the capacity of the hydraulic system of EDEGEL by the subsidiary Empresa de Generación 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 and joint ventures

(a) This caption is made up as follows:

	Share in equity			
	2019	**2018**	**2019**	**2018**
	%	%	US$(000)	US$(000)
Associates				
Sociedad Minera Cerro Verde S.A.A.	19.58	19.58	1,155,359	1,108,284
Minera Yanacocha S.R.L.	43.65	43.65	230,000	271,036
Compañía Minera Coimolache S.A.	40.10	40.10	98,426	89,554
			1,483,785	1,468,874
Joint venture (c)			2,627	2,673
Other minor investments			1,835	1,835
			1,488,247	1,473,382

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

	2019	**2018**	**2017**
	US$(000)	US$(000)	US$(000)
Minera Yanacocha S.R.L.	(41,580)	(35,582)	(76,585)
Sociedad Minera Cerro Verde S.A.A.	76,451	23,444	68,521
Compañía Minera Coimolache S.A.	12,883	10,994	21,271
Other minor	(44)	–	–
	47,710	(1,144)	13,207

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 2019, 2018 and 2017. The following relevant information on these investments is as follows:

Investment in Minera Yanacocha S.R.L.-

The Group, through its subsidiary Compañía Minera Condesa S.A., has an interest of 43.65 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.

The Quecher Main project of Yanacocha, an oxide deposit, is currently in its Execution Phase. This project extends the life of the Yanacocha operation until 2027, with average annual gold production of 200,000 ounces per year expected between 2020 and 2025. The Yanacocha Sulfides project is currently in its Definitive Feasibility Stage. In March of 2019, the Environmental Impact Assessment study was approved.

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. In June 2018, Sumitomo Corporation (Sumitomo) paid US$48 million for the five percent stake in the ownership interest in Yanacocha for the proportion held prior to the repurchase of the IFC's ownership stake in December. As a result of that acquisition, the Company recognized a lower value with respect to Yanacocha's equity participation.

On February 6, 2020, the Supreme Court resolution was published, whereby Yanacocha received notification of an unfavorable result in the Tax Dispute related to the amortization of contractual rights (see note 29(e)) for which Yanacocha recorded a liability in term of tax payable for US$8.1 million and recorded interests and penalties for US$21.0 million in its financial statements as of December 31, 2019.

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

	2019	**2018**
	US$(000)	US$(000)
Statements of financial position as of December 31:		
Current assets	1,076,097	960,758
Non-current assets	1,251,617	1,086,714
Current liabilities	(206,219)	(128,170)
Non-current liabilities	(1,631,783)	(1,335,579)
Equity	489,712	583,723
Groups' interest	213,759	254,795
Goodwill	16,241	16,241
	230,000	271,036

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Statements of profit or loss for the years ended December 31:			
Net sales	739,302	657,358	645,176
Net loss from continued operations	(95,257)	(81,517)	(175,454)
Share in results	(41,580)	(35,582)	(76,585)

During 2019 and 2018, 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 is impaired as of December 31, 2019 and 2018.

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:

	2019	2018
	US$(000)	US$(000)
Statements of financial position as of December 31:		
Current assets	1,614,928	1,455,080
Non-current assets	6,194,496	6,099,632
Current liabilities	(420,786)	(408,754)
Non-current liabilities	(2,039,389)	(2,037,086)
Equity	5,349,249	5,108,872
Group's interest	1,047,596	1,000,521
Goodwill	107,763	107,763
	1,155,359	1,108,284

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Estado de resultados por los años terminados el 31 de diciembre de:			
Ventas netas	2,890,066	3,054,026	3,202,931
Utilidad neta por operaciones continuadas	390,377	119,710	349,881
Participación en resultados del Grupo	76,451	23,444	68,521

Market capitalization:

As of December 31, 2019 and 2018, total market capitalization of shares maintained by the Group in Cerro Verde was US$1,323 million and US$1,426 million, respectively (market capitalization value by each share of US$19.30 and US$20.80, 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:

	2019 US$(000)	2018 US$(000)
Statements of financial position as of December 31:		
Current assets	145,692	99,887
Non-current assets	234,223	261,782
Current liabilities	(34,028)	(39,204)
Non-current liabilities	(91,069)	(86,103)
Equity	254,818	236,362
Adjustments to conform to the accounting policies of the Group	(9,330)	(13,003)
Equity, adjusted	245,488	223,359
Group's interest	98,426	89,554

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Statements of profit or loss for the years ended December 31:			
Net sales	241,173	225,447	203,790
Net income from continued operations	28,459	25,584	50,787
Adjustments to conform to the accounting policies	3,674	1,837	2,265
Net income, adjusted	32,133	27,421	53,052
Share in results	12,883	10,994	21,271

(c) The Group, through its subsidiary El Brocal, has an interest of 8 percent in Transportadora Callao S.A., a joint venture whose objective was the construction of a fixed conveyor belt of minerals and deposits in the Port of Callao. On May 2014, Transportadora Callao started operations and currently its main activity is the operation of that terminal.

The table below presents the key financial data from the joint venture under IFRS:

	2019	**2018**
	US$(000)	US$(000)
Current assets	11,090	17,653
Non-current assets	100,106	107,175
Liabilities	88,608	101,575
Shareholders' equity, reported	22,588	23,253
Net loss from continued operations	(665)	(1,814)

11. Mining concessions, development costs, right-of-use asset, property, plant and equipment, net

(a) Below is presented the movement:

	Balance as of January 1, 2018 US$(000)	**Additions** US$(000)	**Disposals** US$(000)	**Sales** US$(000)	**Reclassifications and transfers** US$(000)	**Balance as of December 31, 2018** US$(000)	**Additions** US$(000)	**Disposals** US$(000)	**Sales** US$(000)	**Reclassifications and transfers** US$(000)	**Implementation IFRS 16** US$(000)	**Balance as of December 31, 2019** US$(000)
Cost:												
Lands	22,690	783	(462)	-	(1,250)	21,761	630	-	(135)	(4,739)	-	17,517
Mining concessions (f)	151,873	-	-	-	-	151,873	-	-	-	-	-	151,873
Development costs	712,051	32,059	(2,656)	-	1,805	743,259	46,047	(443)	-	(819)	-	788,044
Buildings, constructions and other	1,279,251	-	(2,837)	-	66,207	1,342,621	39	(3,559)	(5,380)	26,120	-	1,359,841
Machinery and equipment	929,023	-	(182)	(9,205)	38,830	958,466	12	(30,235)	(38,322)	22,783	-	912,704
Transportation units	9,946	42	(138)	(510)	1,545	10,885	33	(540)	(1,856)	370	-	8,892
Furniture and fixtures	13,902	-	-	(193)	(403)	13,306	2	(1,310)	(1)	13	-	12,010
Units in transit	4,749	11	-	-	(2,078)	2,682	-	(1)	-	1,073	-	3,754
Work in progress	101,122	67,096	(3,450)	-	(108,106)	56,662	44,319	(1,168)	(78)	(49,370)	-	50,365
Stripping activity asset	130,447	11,279	-	-	-	141,726	11,545	-	-	819	-	154,090
Right-of-use asset (e)	-	-	-	-	-	-	3,721	(10,897)	-	-	18,528	11,352
Mine closure costs	241,288	61,239	-	-	(18,365)	284,162	26,722	-	-	-	-	310,884
	3,596,342	172,509	(9,725)	(9,908)	(21,815)	3,727,403	133,070	(48,153)	(45,772)	(3,750)	18,528	3,781,326
Accumulated depreciation and amortization:												
Lands	1,249	-	-	-	(1,249)	-	-	-	-	-	-	-
Mining concessions (f)	40,239	10	-	-	-	40,249	10	-	-	-	-	40,259
Development costs	263,122	35,433	-	-	(2)	298,553	29,964	-	-	-	-	328,517
Buildings, construction and other	506,837	84,244	-	-	562	591,643	83,274	(3,391)	(3,569)	(638)	-	667,319
Machinery and equipment	582,449	93,722	(177)	(8,659)	(1,978)	665,357	66,020	(28,619)	(35,459)	638	-	667,937
Transportation units	8,390	745	(85)	(436)	(15)	8,599	744	(538)	(1,779)	-	-	7,026
Furniture and fixtures	9,880	644	-	(187)	(214)	10,123	653	(1,172)	-	-	-	9,604
Stripping activity asset	41,695	28,820	-	-	3	70,518	18,405	-	-	-	-	88,923
Right-of-use asset (e)	-	-	-	-	-	-	7,778	(2,611)	-	-	-	5,167
Mine closure costs	158,121	10,350	-	-	-	168,471	15,373	-	-	-	-	183,844
	1,611,982	253,968	(262)	(9,282)	(2,893)	1,853,513	222,221	(36,331)	(40,807)	-	-	1,998,596
Provision for impairment of long-lived assets:												
Mine closure costs	20,121	-	(5,693)	-	(1,221)	13,207	2,083	-	-	-	-	15,290
Development costs	10,153	-	-	-	-	10,153	-	-	-	-	-	10,153
Property, plant and other	4,531	-	(2,837)	-	1,221	2,915	-	-	-	-	-	2,915
	34,805	-	(8,530)	-	-	26,275	2,083	-	-	-	-	28,358
Net cost	1,949,555					1,847,615						1,754,372

(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 post-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 2019, Buenaventura recorded a provision for US$2.1 million as a result of the analysis of the recoverable amount of its Julcani mining unit. The main factors considered in the impairment analysis were reserves and mining useful lives. As a result of the analysis of the recoverable amount as of December 31, 2019, La Zanja has not recognized a provision or recovery for impairment of long-lived assets.

During 2018, as a result of derecognition of assets in Shila mining unit, Buenaventura recorded a reversal in the provision for impairment for US$2.8 million previously recorded in 2016. In addition, La Zanja recorded a reversal for the impairment provision for US$5.7 million (during 2017, La Zanja recorded a provision for US$21.6 million) as a result of the analysis of the recoverable amount. The main factors considered in the impairment analysis were reserves and mining useful lives. The recoverable amounts of La Zanja are based in Managements estimations of the value in use.

During 2017, 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 a reversal of impairment losses by US$7.4 million, US$7.1 million and US$2.7 million, respectively, see note 1(e).

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 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:

	2020 US$	**2021-2025** US$
Gold	1,500/Oz	1,500/Oz
Silver	17.00/Oz	18.40/Oz
Copper	6,000/MT	6,600/MT
Lead	1,950/MT	2,100/MT
Zinc	2,250/MT	2,300/MT

Discount rate: In calculating the value in use, a discount rate after tax of 4.88%, 7.02% and 5.15% (equivalent to pre-tax rate of 6.92%, 9.95% and 7.31%) were applied to the post-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$313.3 million as of December 31, 2019 (US$337.3 million as of December 31, 2018) and is presented in various items of property, plant and equipment. During 2019 and 2018, no acquisitions of assets under lease agreements were made. Leased assets are pledged as security for the related finance lease liabilities.

(d) During 2019 and 2018, no finance costs were capitalized.

(e) Right-of-use assets
The net assets for right in use maintained by the Group correspond:

	2019 US$(000)
Right in use assets	
Buildings	4,602
Transportation units	1,112
Machinery and equipment	471
	6,185

During 2019, the additions to the right-of-use assets were US$3.7 million and the disposals were US$10.9 million.

(f) Mining concessions includes the goodwill of El Brocal amounted to US$34.0 million.

(g) 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 in the year 2017.

12. Other assets, net

(a) Below is presented the movement:

	Balance as of January 1, 2018 US$(000)	Additions US$(000)	Transfers US$(000)	Balance as of December 31, 2018 US$(000)	Additions US$(000)	Disposals US$(000)	Balance as of December 31, 2019 US$(000)
Cost:							
Patents and industrial property (b)	13,680	2,642	(4,599)	11,723	2,139	-	13,862
Rights-of-use	7,853	4,439	-	12,292	1,319	-	13,611
Software licenses	8,816	1,448	(96)	10,168	242	(92)	10,318
	30,349	8,529	(4,695)	34,183	3,700	(92)	37,791
Accumulated amortization:							
Rights-of-use	5,210	738	-	5,948	1,486	-	7,434
Software licenses	2,378	596	-	2,974	820	(112)	3,682
	7,588	1,334	-	8,922	2,306	(112)	11,116
Cost net	22,761			25,261			26,675

(b) The copper plant project is a technological initiative of the Company to develop a viable technical and economic solution for the treatment of complex copper concentrates. This project comprises several stages of development from a laboratory level, pilot to a demonstration stage.

13. Bank loans

The movement is presented below:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	95,000	96,215	55,000
New loans	55,000	95,000	341,215
Disbursements	(95,000)	(95,000)	(300,000)
Sale of subsidiary	–	(1,215)	–
Final balance	55,000	95,000	96,215

As of December 31, 2019 and 2018, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 2% to 2.95% as of December 31, 2019 (2.00% to 3.13% as of December 31, 2018).

14. Trade and other payables

(a) This caption is made up as follows:

	2019	2018
	US$(000)	US$(000)
Trade payables (b)		
Domestic suppliers	131,278	154,998
Related entities, note 30(b)	29	36
	131,307	155,034
Other payables		
Taxes payable	12,043	9,102
Remuneration and similar benefits payable	11,522	10,531
Interest payable	5,318	7,464
Royalties payable to the Peruvian State	2,132	2,171
Dividends payable (c)	604	663
Related entities, note 30(b)	51	20
Other liabilities	3,883	3,738
	35,553	33,689
Total trade and other payables	166,860	188,723
Classification by maturity:		
Current portion	166,244	188,084
Non-current portion	616	639
Total trade and other payables	166,860	188,723
Classification by nature:		
Financial payables	152,686	177,450
Non-financial payables	14,174	11,273
Total trade and other payables	166,860	188,723

(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 secure.

(c) The movement of dividends payable is presented below:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	663	730	1,018
Declared dividends to controlling shareholders, note 17(d)	22,098	22,860	22,099
Dividends paid to controlling shareholders	(22,098)	(22,860)	(22,099)
Declared dividends to non-controlling shareholders	6,500	5,560	6,036
Dividends paid to non-controlling shareholders	(6,500)	(5,560)	(6,036)
Expired dividends	(53)	(44)	(327)
Other minor	(6)	(23)	39
Final balance	604	663	730

15. Provisions, contingent liabilities and other liabilities

(a) This caption is made up as follows:

	As of January 1, 2019 US$(000)	Changes (additions and deductions) US$(000)	Accretion expense US$(000)	Disbursements US$(000)	As of December 31, 2019 US$(000)
Closure of mining units and exploration projects (b)	225,877	32,654	10,656	(16,882)	252,305
Bonus to employees and officers	18,620	15,855	-	(15,249)	19,226
Environmental liabilities	3,768	3,944	-	(1,407)	6,305
Safety contingencies	4,877	1,270	-	(942)	5,205
Labor contingencies	4,042	(258)	-	(7)	3,777
Obligations with communities	5,878	1,306	-	(3,675)	3,509
Board of Directors' participation	2,108	1,736	-	(2,250)	1,594
Environmental contingencies	234	1,343	-	(77)	1,500
Workers' profit sharing payable	1,772	(7)	-	(1,696)	69
Other provisions	758	259	-	-	1,017
	267,934	58,102	10,656	(42,185)	294,507
Classification by maturity:					
Current portion	68,172				72,771
Non-current portion	199,762				221,736
	267,934				294,507

(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:

	2019 US$(000)	2018 US$(000)
Beginning balance	225,877	200,183
Changes (additions and deductions) in estimates		
Continuing mining units, note 11(a)	26,722	42,874
Discontinued mining units, note 1(e)	1,912	6,013
Exploration projects, note 26(a)	4,020	(2,433)
Accretion expense		
Continuing mining units, note 27(a)	10,266	4,911
Discontinued mining units, note 1(e)	266	88
Exploration projects, note 26(a)	124	71
Disbursements	(16,882)	(25,830)
Final balance	252,305	225,877
Classification by maturity:		
Current portion	35,280	30,524
Non-current portion	217,025	195,353
	252,305	225,877

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 2020 and 2041. The Group recognizes the provision of closure of mining units and explorations projects based on estimates of studies and activities that meet the environmental regulations in effect and that will be approved by the Ministry of Energy and Mines. The provision of continued operations are prepared by independent advisors and provisions related to discontinue operations are prepared by internal advisors.

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, 2019, the future value of the provision for closure of mining units and exploration projects was US$296.2 million, which has been discounted using annual risk-free rates from minimums of 1.79 to 3.12 percent, in periods of 1 to 22 years (as of December 31, 2018, the provision was US$280.3 million, which has been discounted using annual risk-free rates from minimums of 1.98 and 4.74 to a maximum percent in periods of 1 to 23 years). 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, 2019, the Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US$121.4 million (US$119.7 million as of December 31, 2018) to secure current mine closure plans of its mining units and exploration projects up to date.

16. Financial obligations

(a) This caption is made up as follow:

	2019	2018
	US$(000)	US$(000)
Compañía de Minas Buenaventura S.A.A.(b)		
BBVA Banco Continental	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	(2,504)	(3,618)
	272,496	271,382
Sociedad Minera El Brocal S.A.A.		
Banco de Crédito del Perú – New financial obligation (c)	161,894	–
Debt issuance costs	(709)	–
	161,185	–
Banco de Crédito del Perú – Finance leaseback	–	94,490
Debt issuance costs (c)	–	(976)
	–	93,514
Banco de Crédito del Perú - Mid-term financial obligation (c)	–	75,000
	161,185	168,514
Empresa de Generación Huanza S.A.		
Banco de Crédito del Perú – Finance lease (d)	130,504	147,166
Obligations for leases, note 2.3 and (g)	7,503	–
Total financial obligations	571,688	587,062
Classification by maturity:		
Current portion	265,692	46,166
Non-current portion (e)	305,996	540,896
Total financial obligations	571,688	587,062

(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: six semiannual installments of US$39,285,714 starting 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 3 times since June 30, 2017.
(iii) Net consolidated equity value: Higher than US$2,711,388,800.

For the calculation of (i) and (ii), the financial obligations and Earnings Before - Interest Depreciation and Amortization (EBITDA) of Huanza 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 Buenaventura.

On March 28, 2018, Buenaventura restructured its financial obligation by modifying some of the clauses as follows:

- Annual interest rate: LIBOR of three months plus 2.15%.
- Term: 4 years from April 2018, due in April 2022.
- Amortization of credit: five semi-annual installments of US$55 million each since as of April 2020.

The Buenaventura´s Management oversees the compliance of the terms described above. As of December 31, 2019 and 2018, Buenaventura complies with the above financial ratios.

(c) On October 29, 2019, El Brocal entered into a new financial obligation of US$161,893,850 with Banco de Crédito del Perú in order to cancel the two previous obligations: i) Finance leaseback; y ii) Mid-term financial obligation. The new financial obligation has the following terms and conditions:

- Principal (Part A): US$113,325,695.
- Principal (Part B): US$48,568,155.
- Annual interest rate (Part A): 3.76 percent.
- Annual interest rate (Part B): Three-month LIBOR plus 2.39 percent.
- Term (Part A): 5 years since October 2019 until October 2024.
- Term (Part B): 7 years since October 2019 until October 2026.

According to the lease contract mentioned above, El Brocal is required to maintain the following financial ratios:

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

This new financial obligation is guaranteed by a security guarantee contract on assets; guarantee contract on credit rights, flows and account balances; land mortgage contract; and mortgage contract on mining concessions.

The El Brocal´s Management oversees the compliance of the terms described above. As of December 31, 2019 and 2018, Buenaventura complies with the above financial ratios.

The compliance with the financial ratios is monitored by El Brocal's management, which it managed and obtained from Banco de Crédito del Perú a waiver for any possible breach of the financial ratios that occurs for the last quarter of 2019.

(d) On December 2, 2009, Huanza entered into a finance lease contract with Banco de Crédito del Perú. In the year 2017, Huanza negotiated a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: US$119,000,000.
- Annual interest rate: Three-month LIBOR plus 2.75 percent.
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: 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. In 2017, Huanza negotiate a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: US$103,373,000.
- Annual interest rate: Three-month LIBOR plus 2.75 percent.
- 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, with 26 quarterly variable installments and a final installment of US$68,905,000.

In addition, Huanza have granted a security interest for 100 percent of shares.

According to the lease contract mentioned above, Huanza is required to maintain the following financial ratios:

- Debt service coverage ratio: Higher than 1.1.
- Minimum Net equity of US$30,000,000.

On December 2, 2009, Huanza signed a “Guarantee Trust Agreement” (hereinafter “the contract”), related to the financial lease agreement described above. In said contract, Huanza and Buenaventura are the trustors, the Bank is the trustee and La Fiduciaria S.A. is the fiduciary. The objective of the contract is the constitution of a trust equity with irrevocable character, which serves entirely as a guarantee of the total payment of the guaranteed obligations, which are based on the agreements, renewals, extensions or modifications established in the financial lease documents.

Under this contract, Huanza promised to grant the following:

- Trust of flows with respect to all the income of the hydroelectric power station of Huanza, including the income from sales of power and energy, through which Huanza is obliged to receive all the cash flows of commercial income through a collection account, as well as carry out certain mandatory actions that guarantee the channeling of flows mentioned above.

- Trust of assets of the station, the lands, the assets of Huanza necessary for the operation of the station that are not under the Financial Lease Agreement and the actions of Huanza, as well as the right of collection on future flows that would correspond receive Huanza before the eventual public auction of the rights and assets of the concession because of the expiration of the concession.

- The conditional transfer, by which Huanza assigns to the Bank the rights and obligations derived from the agreements and contracts signed by Huanza for the construction of the Plant.

- Letters of Guarantee, by means of which, Buenaventura is constituted as Huanza's solidarity guarantor, guaranteeing in favor of the Bank the fulfillment of the obligations breached by Huanza.

As of December 31, 2019 and 2018, Huanza complied with these assumed commitments, including that related to the channeling of all the cash flows received for commercial income through a collection account.

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

	2019 US$(000)	2018 US$(000)
Between 1 and 2 years	133,091	278,397
Between 2 and 5 years	127,463	266,625
More than 5 years	48,566	–
	309,120	545,022
Debt issuance costs	(3,124)	(4,126)
	305,996	540,896

(f) Below is presented the movement:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance	587,062	633,083	592,342
New obligations	161,894	–	80,000
New lease obligations, note 2.3	19,885	–	–
Payments of financial obligations	(186,152)	(45,222)	(32,599)
Payments of obligations for leases	(7,596)	–	–
Increase of debt issuance costs	(728)	–	(480)
Movement of lease obligations	(4,786)	–	–
Accrual of debt issuance costs in results, note 27(a)	2,109	1,024	909
Exchange difference	–	384	(165)
Increase in interest for debt restructuring	–	(2,207)	–
Accrual of debt issuance costs capitalized	–	–	272
Sale of asset under lease agreement	–	–	(7,196)
Final balance	571,688	587,062	633,083

(g) Lease liabilities related to the right in use are:

	2019 US$(000)
Buildings	5,296
Transportation units	1,429
Machinery and equipment	778
	7,503
Classification by maturity:	
Current portion	3,692
Non-current portion	3,811
	7,503

Buildings -

Lease liabilities related to buildings mainly correspond to a lease contract entered by Buenaventura 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 and fixed payments. 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:

	2019 US$(000)	2018 US$(000)
Within one year	1,470	1,543
After one year but not more than five years	3,697	5,787
	5,167	7,330

Transportation units -

The Group has lease contracts for various items of mining vehicles used in its operations. Leases of mining vehicles generally have lease terms between one and three years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. No contracts require the Group to maintain certain financial ratios nor includes variable lease payments.

The Group also has certain leases of assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

17. Shareholders' equity, net

(a) Capital stock -

The Group's share capital is stated in soles and consisted 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, 2019 and 2018:

	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/47.77 per share as of December 31, 2019 (S/53.60 per share as of December 31, 2018). These shares present trading frequencies of 25 and 35 percent in the years 2019 and 2018, 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. The table below presents the composition of the investment shares as of December 31, 2019 and 2018:

	Number of shares	**Investment shares** S/(000)	**Investment 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/16.00 per share as of December 31, 2019 (S/19.60 per share as of December 31, 2018). These shares did not present a trading frequency in 2019 and 2018.

(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$53,000 in the year 2019 (US$44,000 and US$327,000 in the years 2018 and 2017 respectively) as a result of the expired dividends. According to the General Corporate Law, dividends expire ten years after the payment due.

(d) Dividends declared and paid -

The table below presents the dividends declared and paid in 2019, 2018 and 2017:

Meetings	Date	Dividends declared and paid	Dividend per share
		US$(000)	US$
2019 Dividends			
Mandatory Annual Shareholders' Meeting	March 25	16,538	0.06
Less - Dividends of treasury shares		(1,298)	
		15,240	
Board of Directors' Meeting	October 29	7,442	0.03
Less - Dividends of treasury shares		(584)	
		6,858	
		22,098	
2018 Dividends			
Mandatory Annual Shareholders' Meeting	March 27	8,269	0.03
Less - Dividends of treasury shares		(648)	
		7,621	
Board of Directors' Meeting	October 25	16,538	0.06
Less - Dividends of treasury shares		(1,299)	
		15,239	
		22,860	
2017 Dividends			
Mandatory Annual Shareholders' Meeting	March 28	15,711	0.06
Less - Dividends of treasury shares		(1,232)	
		14,479	
Board of Directors' Meeting	October 27	8,269	0.03
Less - Dividends of treasury shares		(649)	
		7,620	
		22,099	

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$6,500,000, US$5,560,000 and US$6,036,000 for the years 2019, 2018 and 2017, 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:

	2019	**2018**	**2017**
Profit (loss) net (numerator) - US$	(12,208,000)	(13,445,000)	60,823,000
Total common and investment shares (denominator)	253,986,867	253,986,867	253,986,867
Profit (loss) net per basic share and diluted - US$	(0.05)	(0.05)	0.24

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

	2019	**2018**	**2017**
Profit (loss) net (numerator) - US$	(1,694,000)	(1,637,000)	71,167,000
Total common and investment shares (denominator)	253,986,867	253,986,867	253,986,867
Profit (loss) net per basic share and diluted - US$	(0.01)	(0.02)	0.28

The common and investment shares outstanding at the close of 2019, 2018 and 2017 were 253,986,867.

A tax of 5 percent of the income tax is established to the dividends or any other form of distribution of profits.

18. Subsidiaries with material non-controlling interest

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

	Country of incorporation and operation	2019, 2018 and 2017
		%
Equity interest held by non-controlling interests:		
Sociedad Minera El Brocal S.A.A.	Peru	38.57
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	40.00
Minera La Zanja S.R.L.	Peru	46.94
Apu Coropuna S.R.L.	Peru	30.00

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Accumulated balances of material non-controlling interest:			
Sociedad Minera El Brocal S.A.A.	161,917	176,978	165,032
Minera La Zanja S.R.L.	33,026	42,295	48,642
S.M.R.L. Chaupiloma Dos de Cajamarca	1,587	1,800	1,693
Apu Coropuna S.R.L.	148	164	223
	196,678	221,237	215,590
Profit (loss) allocated to material non-controlling interest:			
Sociedad Minera El Brocal S.A.A.	(13,432)	2,880	4,246
Minera La Zanja S.R.L.	(9,090)	(6,346)	(6,006)
S.M.R.L. Chaupiloma Dos de Cajamarca	6,286	5,667	5,827
Apu Coropuna S.R.L.	(14)	(410)	(454)
Other minor	(1)	–	(1)
	(16,251)	1,791	3,612

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%.

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

Statements of financial position as of December 31, 2019:

	Sociedad Minera El Brocal S.A.A.	Minera La Zanja S.R.L.	S.M.R.L. Chaupiloma Dos de Cajamarca	Apu Coropuna S.R.L.
	US$(000)	US$(000)	US$(000)	US$(000)
Current assets	149,945	112,420	6,252	2,141
Non-current assets	576,028	26,038	−	185
Current liabilities	(118,965)	(20,170)	(2,286)	(1,094)
Non-current liabilities	(210,904)	(47,930)	−	(740)
Shareholders' equity, net	396,104	70,358	3,966	492
Attributable to:				
Shareholders of the Group	234,187	37,332	2,379	344
Non-controlling interests	161,917	33,026	1,587	148
	396,104	70,358	3,966	492

Statements of financial position as of December 31, 2018:

	Sociedad Minera El Brocal S.A.A.	Minera La Zanja S.R.L.	S.M.R.L. Chaupiloma Dos de Cajamarca	Apu Coropuna S.R.L.
	US$(000)	US$(000)	US$(000)	US$(000)
Current assets	170,274	126,878	7,154	2,263
Non-current assets	603,280	31,841	−	182
Current liabilities	(123,052)	(25,834)	(2,653)	(1,165)
Non-current liabilities	(217,683)	(42,781)	−	(739)
Shareholders' equity, net	432,819	90,104	4,501	541
Attributable to:				
Shareholders of the Group	255,841	47,809	2,701	377
Non-controlling interests	176,978	42,295	1,800	164
	432,819	90,104	4,501	541

Statements of profit or loss for the years 2019, 2018 and 2017:

	Sociedad Minera El Brocal S.A.A.	Minera La Zanja S.R.L.	S.M.R.L. Chaupiloma Dos de Cajamarca	Apu Coropuna S.R.L.	Other minor
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Year 2019 -					
Revenues	299,252	43,520	22,297	-	-
Net profit (loss)	(32,855)	(19,364)	15,715	(48)	(17)
Attributable to non-controlling interests	(13,432)	(9,090)	6,286	(14)	(1)
Year 2018 -					
Revenues	332,298	96,611	20,385	–	–
Net profit (loss)	6,305	(13,519)	14,168	(1,369)	–
Attributable to non-controlling interests	2,880	(6,346)	5,667	(410)	–
Year 2017 -					
Revenues	322,653	165,319	20,739	-	-
Net profit (loss)	10,386	(12,795)	14,568	(1,515)	386
Attributable to non-controlling interests	4,246	(6,006)	5,827	(454)	(1)

Statements of cash flow for the years 2019, 2018 and 2017:

	Sociedad Minera El Brocal S.A.A.	Minera La Zanja S.R.L.	S.M.R.L. Chaupiloma Dos de Cajamarca	Apu Coropuna S.R.L.
	US$(000)	US$(000)	US$(000)	US$(000)
Year 2019 -				
Operating activities	1,545	(908)	16,040	–
Investing activities	(28,259)	(1,629)	–	–
Financing activities	(405)	(763)	(16,250)	1,032
	(27,119)	(3,300)	(210)	1,032
Year 2018 -				
Operating activities	74,985	10,323	14,066	(572)
Investing activities	(29,546)	(13,160)	–	–
Financing activities	(29,974)	–	(13,900)	–
	15,465	(2,837)	166	(572)

	Sociedad Minera El Brocal S.A.A.	Minera La Zanja S.R.L.	S.M.R.L. Chaupiloma Dos de Cajamarca	Apu Coropuna S.R.L.
	US$(000)	US$(000)	US$(000)	US$(000)
Year 2017 -				
Operating activities	60,525	139,155	15,093	(185)
Investing activities	(64,343)	(17,326)	–	–
Financing activities	18,096	(32,077)	(15,090)	1,477
	14,278	89,752	3	1,292

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 has been obtained. The rate will be consider 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.

In July 2018, Law No. 30823 was published. Under this Law, the Congress delegated to the Executive Power the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

(i) Since January 1, 2019, the applicable treatment of royalties and remuneration for services rendered by non-domiciled was modified (Legislative Decree No. 1369).

(ii) The rules that regulate the obligation of legal persons and / or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established.

(iii) The Tax Code was modified in order to provide greater guarantees to taxpayers in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with tools for its effective implementation.

(iv) Rules have been established for the accrual of income and expenses for tax purposes since January 1, 2019. Until 2018, there was no normative definition of this concept, so in many cases, accounting rules were used for its interpretation.

(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 (VAT) 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.	2015-2019
Compañía Minera Condesa S.A.	2015-2019
Compañía Minera Colquirrumi S.A.	2015-2019
Consorcio Energético de Huancavelica S.A.	2016-2019
Contacto Corredores de Seguros S.A.	2014-2019
El Molle Verde S.A.C.	2015-2019
Empresa de Generación Huanza S.A.	2015-2019
Inversiones Colquijirca S.A.	2015-2019
Minera La Zanja S.R.L.	2016-2019
Sociedad Minera El Brocal S.A.A.	2014, 2016-2019
S.M.R.L. Chaupiloma Dos de Cajamarca	2015-2019
Procesadora Industrial Río Seco S. A.	2015-2019
Apu Coropuna S.R.L.	2015-2019
Cerro Hablador S. A. C.	2015-2019
Minera Azola S. R. L.	2015-2019

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether 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, 2019 and 2018.

The open tax process of the Group and its associates are presented in note 29(e).

(c) Tax-loss carryforwards -
As of December 2019 and 2018, the tax-loss carryforward determined by the Group amounts to approximately S/1,950,896,000 and S/1,550,156,000, respectively (equivalent to US$588,151,000 and US$458,762,000 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 recognized a deferred income tax asset related to the tax-loss carryforward of those companies where is probable that a carryforward can be used to compensate future taxable profits.

(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 31, 2019 and 2018.

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. Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Revenues by geographic region:			
Metal and concentrates sales -			
Peru	476,978	521,017	516,054
America	171,769	370,624	471,863
Asia	105,645	120,519	120,719
Europe	60,475	100,792	79,837
	814,867	1,112,952	1,188,473
Services -			
Peru	23,501	23,712	14,903
America	130	289	14,794
Europe	30	–	–
	23,661	24,001	29,697
Royalties -			
Peru	22,297	20,385	20,739
	860,825	1,157,338	1,238,909

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Revenues by type of good or services:			
Sales by metal -			
Silver	298,171	362,122	393,257
Gold	254,194	411,877	510,982
Copper	238,304	274,761	268,527
Zinc	149,317	164,666	170,518
Lead	89,141	85,555	85,957
Manganese sulfate	6,046	6,655	6,317
Indium	–	–	66
	1,035,173	1,305,636	1,435,624
Commercial deductions	(220,306)	(192,684)	(247,151)
	814,867	1,112,952	1,188,473
Sales by services -	23,661	24,001	29,697
Royalties income -	22,297	20,385	20,739
Total revenue from contracts with customers	860,825	1,157,338	1,238,909
Revenues by type of recognition:			
Goods transferred at a point in time	814,867	1,112,952	1,188,473
Services transferred over time	23,661	24,001	29,697
Royalties at a point of time	22,297	20,385	20,739
	860,825	1,157,338	1,238,909

(b) Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the consolidated statement of profit or loss:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Contracts with customers for sale of goods	814,867	1,112,952	1,188,473
Hedge operations	4,322	(1,398)	(10,921)
Fair value of accounts receivables	2,347	(6,013)	8,417
Adjustments to prior period liquidations	394	788	1,237
Net sale of goods	821,930	1,106,329	1,187,206
Net sale of services	23,661	24,001	29,697
Royalty income	22,297	20,385	20,739
	867,888	1,150,715	1,237,642

(c) Performance obligations -

The performance obligation of the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery. Performance obligation of services is satisfied over-time and payment is generally due upon completion and acceptance of service.

(d) Concentration of sales -

In 2019, the three customers with sales of more than 10 percent of total net sales represented 25, 16 and 11 percent from the total net sales of the Group (three customers by 32, 13 and 11 percent during 2018 and three customers by 28, 15 and 10 percent during 2017). As of December 31, 2019, 84 percent of the accounts receivable correspond to these customers (43 percent as of December 31, 2018). 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 with the Group that guarantee supplying them the production from the Group's mines.

(e) Sales expenses -

Sales expenses represent 3%, 2% and 2% of the total operating income for the years 2019, 2018 and 2017, respectively. Sales expenses corresponds mainly to transportation services and services and shipping costs. Transportation services represent 58% of the caption for the years 2019, 2018 and 2017. Shipping services and expenses represent 22%, 21% and 8% of the caption for the years 2019, 2018 and 2017.

21. Cost of sales, without considering depreciation and amortization

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

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	49,206	37,640	58,633
Cost of production			
Services provided by third parties	196,895	243,410	254,821
Consumption of materials and supplies	96,351	133,961	129,294
Direct labor	79,076	93,122	82,930
Electricity and water	44,583	50,215	42,877
Transport	20,784	23,539	25,406
Maintenance and repair	19,729	24,415	22,062
Rentals	16,341	30,819	15,498
Insurances	12,235	11,311	5,870
Provision (reversal) for impairment of finished goods and product in progress, note 8(c)	(2,143)	4,521	2,118
Other minor	11,755	9,634	10,179
Total cost of production of the period	495,606	624,947	591,055
Final balance of products in process and finished goods, net of depreciation and amortization	(31,938)	(49,206)	(45,038)
Cost of sales of goods, without considering depreciation and amortization	512,874	613,381	604,650

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

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Direct labor	1,231	2,128	7,398
Electricity and water	589	249	586
Consumption of materials and supplies	497	675	1,026
Services provided by third parties	331	382	1,782
Maintenance and repair	186	543	946
Insurances	163	86	246
Transport	148	50	98
Rentals	89	92	423
Other minor	144	113	449
	3,378	4,318	12,954

22. Exploration in operating units

This caption is made up as follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	2,837	5,157	5,309
Exploration in operating units			
Services provided by third parties	33,591	71,513	75,743
Consumption of materials and supplies	3,712	8,594	7,673
Direct labor	1,747	2,349	2,142
Rentals	1,186	2,065	1,405
Electricity and water	905	1,337	820
Transport	71	192	543
Maintenance and repair	10	450	98
Other minor	548	910	56
Total exploration in operating units	41,770	87,410	88,480
Final balance of products in process and finished goods, net of depreciation and amortization	(444)	(2,837)	(4,478)
Exploration in operating units	44,163	89,730	89,311

As of December 31, 2019, 2018 and 2017, disbursements of exploration in operating amount to US$44.2 million, US$89.7 million y US$89.3 million, respectively, which are presented in the “Payments to suppliers and third parties” caption of the consolidated statements of cash flows.

23. Mining royalties

This caption is made up as follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Royalties paid to the Peruvian State	8,091	9,266	10,719
Sindicato minero de Orcopampa S.A., note 29(b)	4,741	12,122	20,165
	12,832	21,388	30,884

24. Administrative expenses

This caption is made up as follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Personnel expenses	38,566	34,656	36,265
Professional fees	13,924	15,324	12,663
Sundry charges	7,489	3,965	4,921
Depreciation and amortization	3,825	1,295	1,146
Board of Directors' compensation	2,202	3,252	1,422
Software licenses	1,706	1,824	2,523
Subscriptions and quotes	1,492	1,938	1,428
Communications	1,296	1,512	1,376
Donations	1,030	1,617	3,006
Rentals	1,011	5,818	5,412
Maintenance and repairs	953	2,732	2,657
Transport	878	1,212	989
Insurance	720	645	3,911
Consumption of materials and supplies	422	436	616
Canons and tributes	410	388	602
Travel and mobility	373	467	1,053
Allowance for expected credit losses, note 7(f)	–	18	676
	76,297	77,099	80,666

25. Exploration in non-operating areas

This caption is made up as follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Personnel expenses	3,632	4,830	4,064
Services provided by third parties	3,611	22,764	5,401
Lands	1,528	1,867	1,781
Rentals	415	1,524	1,171
Consumption of materials and supplies	328	1,420	582
Other minor	2,365	3,902	5,263
	11,879	36,307	18,262

During 2019, disbursements of exploration in non-operating areas amount to US$11.9 million mainly focused in Yumpag and Marcapunta (US$36.3 million during 2018 mainly focused in Yumpag, Marcapunta and Emperatriz and US$18.3 million during 2017 mainly focused in Tambomayo, Yumpag, Marcapunta and Emperatriz exploration projects), which are presented in the “Payments to suppliers and third parties” caption of the consolidated statements of cash flows.

26. Other, net

(a) This caption is made up as follows:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Other income			
Sale of supplies and merchandise to third parties	32,228	46,128	54,496
Sale of assets to third parties	19,405	3,863	369
Reversal for impairment of spare parts and supplies, note 8(c)	11,641	4,665	2,370
Sale of services to third parties	6,415	3,512	2,552
Revenue from commercial claims	2.098	−	−
Income from previous years	1,311	1,504	2,680
Sale of supplies to related parties, note 30(a)	1,259	27	4
Sale of assets to related parties, note 30(a)	11	30	336
Insurance claim recovery (c)	−	33,735	1,190
Sale of investment in subsidiary	−	7,097	−
Changes in provisions for exploration projects, note 15(b)	−	2,433	−
Recovery of expenses from previous years	−	81	68
Income from rental of investment properties	−	45	235
Expiration of allowance for expected credit losses, note 7(f)	−	45	99
Sale of investment properties (b)	−	−	11,250
Other minor	2,632	(566)	11,881
	77,000	102,599	87,530

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Other expenses			
Disposal cost of sale of supplies and merchandise to third parties	(33,664)	(57,897)	(60,239)
Direct expenses	(15,992)	(9,867)	(5,721)
Provision for impairment of spare parts and supplies, note 8(c)	(15,703)	(11,704)	(4,814)
Net cost of property, machinery and equipment to third parties, note 11(a)	(4,965)	(626)	–
Changes in provisions for exploration projects, note 15(b)	(4,020)	–	(891)
Disposal cost of sale of supplies and merchandise to related parties	(2,944)	(257)	(40)
Expenses from previous years	(2,240)	(1,831)	(603)
Withdrawals and disposals of property, machinery and equipment, note 11(a)	(2,926)	(6,626)	(15,013)
Allowance for expected credit losses, note 7(f)	(25)	(1,334)	–
Net cost of transfer of investments, note 1(d)	–	(11,178)	(1,706)
Net cost of investment properties (b)	–	–	(9,575)
Other minor	(9,236)	(2,587)	(2,158)
	(91,715)	(103,907)	(100,760)
	(14,715)	(1,308)	(13,230)

(b) During 2017 the Group sold to a third party its investment properties located in the El Derby Capital Building, district of Surco.

(c) Corresponds to the indemnity for the insurance claim of the rotor 2 of the 20X30 mill motor occurred in May 2017 of the subsidiary El Brocal. The total compensation for lost profits and consequential damages is US$38,793,000, while the associated costs for mitigation, repair and cost overruns are US$5,058,000, having a net effect on results of US$33,735,000, see note 26. As of December 31 of 2018, El Brocal has received the full amount of compensation from the insurance. As of December 31, 2017 corresponds to the recovery income of the sinister that occurred in the rotor 1 of the 20x30 mill and in the conveyor belt corresponding to the incident that occurred in 2016, for approximately US$4,175,000, and the incurred cost associated amounts to US$2,985,000, resulting in a net effect of US$1,190,000.

27. Finance costs and finance income

(a) This caption is made up as follows:

	2019	2018	2017
	US$(000)	US$(000)	US$(000)
Finance income:			
Interest on time deposits	4,971	5,176	1,050
Dividends income	3,625	–	–
Interests on third parties loans	460	561	813
Interests on loans to related parties, note 30(a)	86	92	1,685
Interests on tax claims	16	1,701	153
Other minor	517	340	43
	9,675	7,870	3,744
Unrealized variation of the fair value related to contingent consideration liability (b)	-	1,815	1,773
Total finance revenues	9,675	9,685	5,517
Finance costs:			
Interest on borrowings	28,418	31,538	28,019
Tax on financial transactions	166	173	180
Interest on loans	1	2	1,053
Other minor	55	703	72
	28,640	32,416	29,324
Accretion expense for mine closure, note 15(b)	10,390	4,982	4,318
Accrual of debt issuance costs, note 16(f)	2,109	1,024	909
Unrealized variation of the fair value related to contingent consideration liability (b)	655	–	–
Accrual of right-of-use liability	379	–	–
Total finance costs	42,173	38,422	34,551

(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.

Through the fusion with Canteras del Hallazgo S.A.C, the Group is the 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 of the future royalty payments was 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, 2019, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2019 reflects this assumption and changes in metal prices.

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

	2019	**2018**	**2017**
	US$(000)	US$(000)	US$(000)
Beginning balance	15,755	17,570	19,343
Variation of the fair value in results	655	(1,815)	(1,773)
Final balance	16,410	15,755	17,570

Significant unobservable valuation inputs are provided below:

	2019	**2018**
Annual average of future sales of mineral (US$000)	190,815	193,906
Useful life of mining properties	14	13
Pre-tax discount rate (%)	10	10

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

28. 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, 2018	Credit (debit) to consolidated statement of profit or loss	Credit (debit) to consolidated statements of other comprehensive	Others movements	As of December 31, 2018	Credit (debit) to consolidated statement of profit or loss	Credit (debit) to consolidated statements of other comprehensive	Others movements	As of December 31, 2019
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Deferred asset for income tax									
Tax - loss carryforward	94,939	10,919	–	(396)	105,462	25,866	–	–	131,328
Difference in depreciation and amortization rates	47,482	1,088	–	–	48,570	37	–	–	48,607
Provision for closure of mining units, net	19,793	7,423	–	–	27,216	3,684	–	–	30,900
Impairment loss of long-lived assets	9,920	(2,448)	–	–	7,472	576	–	–	8,048
Other minor	15,459	5,369	–	(147)	20,681	422	–	400	21,503
	187,593	22,351	–	(543)	209,401	30,585	–	400	240,386
Derivative financial instruments	9,103	–	(9,103)		–	–	–	–	–
	196,696	22,351	(9,103)	(543)	209,401	30,585	–	400	240,386
Deferred assets for mining royalties and special mining tax	123	(87)	–	–	36	(6)	–	–	30
Total deferred asset	196,819	22,264	(9,103)	(543)	209,437	30,579	–	400	240,416
Deferred liability for income tax									
Differences in amortization rates for development costs	(45,693)	(20,295)	–		(65,988)	(3,357)	–	–	(69,345)
Effect of translation into U.S. dollars	(46,023)	(15,248)	–		(61,271)	14,995	–	–	(46,276)
Other minors	(77,603)	3,123	–		(74,480)	(4,550)	–	–	(79,030)
	(169,319)	(32,420)	–		(201,739)	7,088	–	–	(194,651)
Derivative financial instruments	–	–	(813)		(813)	–	813	–	–
	–	–	(813)		(813)	–	813	–	–
Deferred liability for mining royalties and special mining tax	(161)	159	–	–	(2)	(166)	–	–	(168)
Total deferred liability	(169,480)	(32,261)	(813)		(202,554)	6,922	813	–	(194,819)
Deferred income tax asset, net	27,339	(9,997)	(9,916)	(543)	6,883	37,501	813	400	45,597

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

	2019 US$(000)	2018 US$(000)
Deferred income tax asset, net	74,556	38,305
Deferred income tax liability, net	(28,959)	(31,422)
	45,597	6,883

(c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2019, 2018 and 2017:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Income tax expense			
Current	(11,851)	(12,433)	(18,780)
Deferred	37,617	(10,029)	5,984
	25,766	(22,462)	(12,796)
Mining Royalties and Special Mining Tax			
Current	(60)	(4,449)	(4,933)
Deferred	(116)	32	(159)
	(176)	(4,417)	(5,092)
Total income tax	25,590	(26,879)	(17,888)

(d) Below is a reconciliation of tax expense and the accounting profit (loss) multiplied by the statutory tax rate for the years 2019, 2018 and 2017:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Profit (loss) before income tax	(43,535)	27,033	92,667
Loss for discontinued operations	(10,514)	(11,808)	(10,344)
Profit (loss) before income tax	(54,049)	15,225	82,323
Theoretical loss (gain) for income tax	15,944	(4,491)	(24,285)
Permanent items and others:			
Effect of translation into U.S. dollars	14,995	(15,248)	24,502
Share in the results of associates and joint ventures	14,074	(337)	3,896
Permanent items	(9,958)	(3,466)	(16,549)
Unrecognized deferred tax asset	(9,265)	(2,038)	(1,898)
Mining royalties and special mining tax	(24)	3,118	1,538
Income tax expense	25,766	(22,462)	(12,796)
Mining Royalties and Special Mining Tax	(176)	(4,417)	(5,092)
Total income tax	25,590	(26,879)	(17,888)

(e) Related to the investment in associates, the Group has not recognized a deferred income tax asset by US$271.8 million as of December 31, 2019, originated by the difference between the financial and taxable basis of these investments (US$277.0 million as of December 31, 2018). 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).

(f) Deferred income tax asset is presented net of the portion unrecognized that the Group estimates will not be probable that taxable profits will be available against which the deferred tax asset can be utilized:

	Total deferred tax asset	**Unrecognized deferred tax**	**Net deferred tax asset**
	US$(000)	US$(000)	US$(000)
As of December 31, 2019 -			
Tax - loss carryforward	139,614	(8,152)	131,462
Difference in depreciation and amortization rates	68,151	(19,544)	48,607
Provision for closure of mining units, net	53,418	(22,518)	30,900
Impairment loss of long-lived assets	8,048	-	8,048
Other minor	21,369	-	21,369
Total income tax	290,600	(50,214)	240,386
As of December 31, 2018 -			
Tax - loss carryforward	106,223	(761)	105,462
Difference in depreciation and amortization rates	68,114	(19,544)	48,570
Provision for closure of mining units, net	47,859	(20,643)	27,216
Impairment loss of long-lived assets	7,472	-	7,472
Other minor	20,681	-	20,681
Total income tax	250,349	(40,948)	209,401

29. 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. The payments are included as royalties, see note 23.

(c) Leases

Group as a lessee -

The Group has lease contracts for several of assets used in its operations. Leases of plant and machinery generally have lease terms between 1 and 3 years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of the right-of-use assets and liabilities recognized and the movements during the period are presented in note 11 and note 16, respectively.

Contingencies

(d) Legal procedures -

Buenaventura -

The Group 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$3.0 million and US$2.9 million as of December 31, 2019 and 2018, respectively.

Yanacocha -

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 cannot reasonably predict the outcome of this litigation. The Group has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

Environmental contingences -

The Peruvian government agency responsible for environmental evaluation and inspection, Organismo Evaluacion y Fiscalizacion Ambiental ("OEFA"), conducts periodic reviews of the Yanacocha site. From 2011 to 2019, OEFA issued notices of alleged violations of OEFA standards to the Company relating to past inspections. OEFA has resolved with minimal or no findings.

In 2015 and 2016, the Autoridad Nacional del Agua of Cajamarca issued notices of alleged regulatory violations, and resolved some allegations in 2017 with no findings. The experience with OEFA and the Autoridad Nacional del Agua 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 17,642 tax units and the Autoridad Nacional del Agua alleged violations range from zero to 10 tax units, being each tax unit equivalent to approximately US$1,260 based on current exchange rates. Yanacocha is responding to all notices of alleged violations, but cannot reasonably predict the outcome of the agency allegations with potential fine for pending matters of US$0 to US$22.2, which it does not consider probable.

(e) Open tax procedures –

Buenaventura –

- During 2012 and 2014, the Superintendencia Nacional de Aduanas y de Administración Tributaria (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$318,453,000) in the year 2007 and S/1,530,985,000 (equivalent to US$461,557,000) 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.

  In November 2018, the Tax Court resolved the appeal proceedings not recognizing the contracts of physical deliveries and the contractual obligation and considers that the payments correspond to an advance financial settlement of Contracts of Derivative Financial Instruments and that the Company would not have accredited the purpose of hedge and the risks covered. The Company's Management with the support of its legal advisers initiated various administrative and judicial actions to present their arguments and defend their rights. These disputes would be resolved in judicial instances in the Judicial Power. As of December 31, 2019, the total possible contingencies related to these audits amount to S/1,514 million (equivalent to US$456 million).

- 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$22,919,000) and the compensation of tax losses for S/561,758,000 (equivalent to US$169,357,000). 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. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

  In December 2018, the Tax Court resolved the appeal files confirming reparations for S/70,277,000 (equivalent to US$21,187,000) basically related to the provision for collection of doubtful debts as an expense and unfounded income unduly deducted. To date, the Company's Management, with the support of its legal advisors, has initiated administrative and judicial actions to present its arguments and make its rights prevail. These disputes would be resolved in judicial instances in the Judicial Power. As of December 31, 2019, the total possible contingencies related to these audits amount to S/515 million (equivalent to US$155 million).

In December 2019, Tax Administration initiated actions of forced collection of interest and fines for the reliquidation that it has made of prepayments from January to December 2009 and January to February 2010. These are based on the 2007 and 2008 annual tax fiscal years, which were recalculated by SUNAT with the objections mentioned in the first and second paragraphs and which are questioned in the judicial process. On December 20, 2019, SUNAT executed the forced collection of debt amounting to S/120,262,000 (equivalent to US$36,322,000). In opinion of the legal advisors of the Company, favorable results should be obtained in the judicial process that has been initiated, therefore an account receivable have been registered in the heading “Trade and other accounts receivable, net”, see note 7(g).

- During the year 2018, the Tax Administration has audited the income tax declaration for 2014. As a result of this audit, SUNAT does not recognize the Company deductions declared for S/94,898,000 (equivalent to US$28,610,000). The main disagreements are related to the non-deductibility of bonus paid to contractors, which also affects the compensation of tax losses that can be withheld and the use of balances in favor that are not recognized by SUNAT. In the opinion of the Management and its legal advisors, these repairs are not supported, so that a favorable result in the claim process that they have initiated will be obtained.

- During the year 2019, the Tax Administration reviewed the income tax of the year 2013. As a result, SUNAT did not recognize Buenaventura declared tax deductions by S/148,730,000 (equivalent to US$44,839,000). The main unrecognized deductions by Buenaventura are the non-deductibility of bonuses paid to contractors, the compensation of tax losses that can be withheld and the use of balances in favor that are not recognized by SUNAT. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

- During the year 2019, the Tax Administration reviewed the income tax of the year 2014. As a result, SUNAT did not recognize Buenaventura declared tax deductions related to the non-deductibility of bonus paid to contractors for S/2,067,000 (equivalent to US$623,000). In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

The Company's Management and its legal advisors are of the opinion that the results of the procedures in the various instances will be favorable to the Company, which is why they consider that it is not necessary to recognize any provision for these contingencies.

Subsidiaries –

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$2,512,000) so it can have access to a discount benefit of the fine. This payment is recorded as part of account receivables as "Trade and other accounts receivable, net", see note 7(g).

- 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$1,215,000). El Brocal has filed an appeal to the Tax Court, which is pending resolution.

- On June 14, 2017, the Tax Administration notified El Brocal determinations and fine resolutions as a result of the inspection procedure initiated by the 2013 income tax where the balances in favor and the taxable tax loss are repaired. These resolutions were claimed without favorable results. On January 24, 2018, El Brocal filed the appeal before the Tax Court.

- On May 13, 2019, the Tax Court notified El Brocal through Resolution No. 3062-3-2019 that accumulated the appeal files of the taxable years 2011, 2012 and 2013; and resolves to nullify the repair of the expense for food and confirms the observations related to the loss by derivative financial instruments and the expense of the payment in mining royalties of the 2011 fiscal year and its incidence in the 2012 and 2013 fiscal years.

  As a result of the resolution, the Tax Administration has notified compliance resolutions by relieving income tax and the effects on payments on account for the years 2011, 2012 and 2013. The Brocal has filed an appeal to the Tax Court.

  On August 9, 2019, El Brocal filed an administrative contentious lawsuit against the decision of the Tax Court since El Brocal had credited with reliable documentation the basis for the observations on the loss in derivative financial instruments and mining royalties.

As of December 31, 2019, the possible contingencies held by El Brocal amount to S/7,014,000 (equivalent to US$2,114,000).

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.

During the year 2019, the Tax Administration has reviewed the income tax stament for the year 2015. As a result of this review, SUNAT has verified on December 31, 2019 the determination and fine resolutions where it questions the depreciation rate of two tailings and the deduction of the development costs of Smelter Project for a total S/13,930,000 (equivalent to US$4,200,000) determining a debt of S /3,412,000 (equivalent to US$1,029,000). The Management of El Brocal and its legal advisors considered that the reparations are not supported by what they have started the claim process.

On January 27, 2020, El Brocal has canceled the fine resolution with the resolution to benefit from the reduction of the fine. The amount disbursed of S/1,456,000 (equivalent to US$439,000) has been recorded as an account receivable in the financial statements of El Brocal.

Minera La Zanja S.R.L. -
During the years 2016, 2017 and 2018, SUNAT audited the income tax for the years 2013 and 2015; as a result, SUNAT does not recognize deductions declared for La Zanja. The main challenge is related to the deduction of development costs incurred for S/2,952,000 (equivalent to US$890,000) as of December 31, 2019 (S/2,692,000 equivalent to US$797,000 as of December 31, 2018). 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 Huanza. As a result, a portion of the depreciation of its fixed assets is not recognized for S/27,532,000 (equivalent to US$8,300,000). The possible contingency amounts to S/6,999,000 (equivalent to US$2,110,000) as of December 31, 2019 (S/6,396,000 equivalent to US$1,893,000 as of December 31, 2018). In the opinion of Huanza´ 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.

Río Seco S.A.-
The Customs Division of the SUNAT has determined an alleged omission in the payment of the General Sales Tax of S/1,815,000 (equivalent to US$547,000) in an import made in 2012 of certain equipment for the construction of The Industrial Plant. SUNAT supported its position that Rio Seco should have included the amount of the consideration paid by Río Seco for the engineering services provided by its suppliers abroad in the customs value. In the opinion of Management and its legal advisors, this observation is not substantiated and a favorable ruling should be obtained in the complaint and appeal process.

On March 13, 2019, the Tax Court notified Resolution No. 0844-A-2019 that confirmed the observation of the Tax Administration.

On May 17, 2019, the Tax Administration initiated the coercive collection actions of the tax debt. Río Seco initiated several administrative and judicial actions to suspend the collection, without favorable results. During July to September 2019, Tax Administration has executed the forced collection of the tax debt amounting to S/11,153,000 (equivalent to US$3,368,000), see note 7(g). In the opinion of the legal advisors of Río Seco, a favorable result should be obtained in the judicial process that has been initiated, so that said collection has been recorded in the heading “Trade and other receivables, net”.

On June 13, 2019, Rio Seco has filed an administrative contentious lawsuit against the Tax Court's Resolution so that the Judicial Power declares its nullity and ignore the Tax Administration's objection.

Other subsidiaries -

In addition, SUNAT has issued tax assessments as a result of the audit of income taxes of other subsidiaries for S/4,654,000 (equivalent to US$1,403,000). 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 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 2013. Cerro Verde contested each of these assessments because it believes that its 1998 stability agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing such minerals. No assessments can be issued for years after 2013, as Cerro Verde began paying royalties on all of its production in January 2014 under its new 15-year stability agreement.

On October 29, 2019, Cerro Verde completed payments of the disputed assessments related to mining royalties for the period December 2006 to December 2008, that were under an installment program since 2014. Under this installment program, Cerro Verde has paid S/711.1 million (approximately US$221.9 million at the year-end exchange rate as of the payment date and US$214.4 million at the year-end exchange rate as of December 31, 2019).

In connection with demands for the periods December 2006 to December 2007 related to the mining royalties, On August 9, 2017, Cerro Verde filed an appeal before the Supreme Court against the decision made by the Seventh Administrative Litigation Chamber, which was admitted in December 2017. The oral hearing before the Supreme Court took place on November 20, 2018 and its decision is pending.

In September 2018, the Peruvian Tax Tribunal denied Cerro Verde's request to waive penalties and interest for the period January 2009 through September 2011. In December 2018, Cerro Verde elected not to appeal the Peruvian Tax Tribunal's decision before the Judicial Power. Cerro Verde is continuing to evaluate alternative strategies to defend its rights.

On October 2018, SUNAT served Cerro Verde a demand for payment based on the Tax Tribunal's decisions for the period January 2009 until September 2011. Cerro Verde requested an installment payment program (deferred payment for six months) and installment program (which was granted in two equivalent schedules of 66 equal monthly payments). The total debt as of December 31, 2019 amounts to S/1.0 billion (approximately US$314.1 million at the year-end exchange rate as of December 31, 2019, including interest, installment interest and penalties amounts to US$202.8 million). As of December 31, 2019, Cerro Verde has paid under the installment program S/315.1 million (approximately US$94.7 million at the year-end exchange rate as of the payment date and US$95.0 million at the year-end exchange rate as of December 31, 2019).

On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011, as of February 15, 2018, Cerro Verde will file a complaint with the SUNAT against said resolutions, SUNAT denied it. On November 21, 2018, Cerro Verde appealed the resolution of SUNAT against the Peruvian Tax Tribunal. On December 4, 2019, Cerro Verde received the resolution issued by Tax Tribunal declaring the appeal unfounded. On December 18, 2019, SUNAT notified the resolution of collection and on December 26, 2019 Cerro Verde paid the debt of S/57.6 million (approximately US$17.3 million at the year-end exchange rate as of the payment date and US$17.4 million at the year-end exchange rate as of December 31, 2019). On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011 to fourth quarter of the year 2012. Cerro Verde will file a complaint with the SUNAT against said resolutions, SUNAT denied it, and Cerro Verde appealed the resolution of SUNAT against the Peruvian Tax Tribunal. It was also denied in July 2019. Cerro Verde requested an installment payment program (deferred payment for six months) and installment program (which was granted in two equivalent schedules of 66 equal monthly payments). The total debt as of December 31, 2019 amounts to S/255.8 million (approximately US$77.1 million at the year-end exchange rate as of December 31, 2019, including interest, installment interest and penalties amounts to US$40.5 million). The payments of these installment programs will begin in the first quarter of 2020.

On April 18, 2018, SUNAT notified the resolutions for the determination of royalties for 2012. On May 17, 2018, Cerro Verde filed a complaint with the SUNAT against said resolutions. On January 23, 2019, Cerro Verde received the resolution issued by SUNAT declaring the claim unfounded for 2012. Cerro Verde decided not to appeal the resolution on the Tax Tribunal and requested an installment payment program (deferred payment for six months) and installment program (which was granted in two equivalent schedules of 66 equal monthly payments). The total debt as of December 31, 2019 amount to S/266.1 million (approximately US$80.2 million at the year-end exchange rate December 31, 2019, including interest, installment interest and penalties amounts to US$45.7 million). As of December 31, 2019, Cerro Verde has paid under the installment program S/65.7 million (approximately US$19.5 million at the year-end exchange rate as of the payment date and US$19.8 million at the year-end exchange rate as of December 31, 2019).

On October 10, 2018, SUNAT notified the resolutions on determination of royalties and special tax on mining in 2013. On November 7, 2018, Cerro Verde filed a complaint with the SUNAT against the resolutions. On May 28, 2019, Cerro Verde received resolutions issued by SUNAT declaring the complaint unfounded for 2013. Cerro Verde decided not to appeal these resolutions to the Fiscal Court and requested two installment payment programs (deferred payment for six months) and two-installment program (which was granted in two equivalent schedules of 66 equal monthly payments). As of December 31, 2019, total debt including interest and penalties for royalties in the year 2013 amounts to S/183.9 million (approximately US$55.4 million at the year-end exchange rate as of December 31,2019, including interest and penalties amounts to US$29.5 million) and for special tax on mining in the same year 2013 amounts to S/151.0 million (approximately US$45.5 million at the year-end exchange rate as of December 31, 2019, including interest and penalties amounts to US$22.1 million). The payments of these installment programs will begin in the first quarter of 2020.

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 National Housing Fund (FONAVI) (December 2012 a December 2013), Special Mining Tax (GEM) (fourth quarter 2011 until fourth quarter 2012) and customs duties (2013).

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	8,857	39,196	48,053
2006	10,990	51,943	62,933
2007	12,376	17,845	30,221
2008	20,797	12,968	33,765
2009	56,388	51,219	107,607
2010	62,581	107,324	169,905
2011	49,055	65,189	114,244
2012	51,981	11,257	63,238
2014 - 2019	38,975	-	38,975
	312,000	356,941	668,941

As of December 31, 2019, Cerro Verde has paid US$396.5 million from which US$186.6 million Cerro Verde considers will be recovered.

Yanacocha -

The Tax Administration challenged the withholding tax rate applied on the technical assistance services provided by a non-resident supplier in the 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%. Currently there is no contingency in this regard. The debt has been paid by Yanacocha.

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. On January 18, 2019, the Peru Supreme Court issued notice that three judges support the position of the tax authority and two judges support the position of Yanacocha. Because four votes are required for a final decision, an additional judge was selected to issue a decision and the parties conducted oral arguments in April 2019. In early February 2020, the additional judge ruled in favor of the tax authority, finalizing a decision of the Peru Supreme Court against Yanacocha. Yanacocha will file an action objecting to the fines and interest associated with the underlying decision of the Peru Supreme Court. The potential liability in this matter is in the form of fines and interest in an amount up to US$61 million. It is not possible to fully predict the outcome of this litigation.

(f) Uncertain tax treatment –

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Letters of credit

(g) Letters of credit –

The Group maintains letters of credit with regional governmets and others for US$361,000.

(h) Letters of credit solidarity –

As of December 31, 2019, the Group maintains letters of credit solidarity in favor of the Ministry of Energy and Mines for amount of US$557,000 and US$23,696,000, a favor from its subsidiary Compañía Minera Colquirrumi S.A. and its associate Compañía Minera Coimolache S.A., respectively.

30. Transactions with related companies

(a) The Group has carried out the following transactions with its related companies in the years 2019, 2018 and 2017:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Associates -			
Revenues from:			
Royalties	22,297	20,385	20,739
Energy	3,181	3,002	2,137
Supplies	1,259	27	4
Mineral	683	1,321	1,414
Mining concessions, property, plant and equipment	11	30	336
Purchase of:			
Supplies	9	44	27
Services rendered to:			
Services of energy transmission	287	393	559
Operation and maintenance services related to energy transmission	287	290	593
Administrative and Management services	359	214	149
Engineering services	–	348	1,119
Constructions services	4	–	1,332
Dividends received and collected from:			
Sociedad Minera Cerro Verde S.A.A.	29,377	39,169	–
Compañía Minera Coimolache S.A.	4,011	7,623	9,823
Loans collected to:			
Sociedad Minera Cerro Verde S.A.A.	–	–	124,800
Interest income:			
Sociedad Minera Cerro Verde S.A.A.	–	–	1,685
Joint Venture -			
Interest income:			
Transportadora Callao S.A.	86	92	–
Non-controlling shareholders -			
Dividends paid to:			
Newmont Peru Limited - Sucursal del Perú	6,500	5,560	6,036

Terms and conditions of transactions with related parties

Purchase transactions and services with related parties are made at market prices. Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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

	2019	2018
	US$(000)	US$(000)
Trade and other receivables, note 7(a)		
Minera Yanacocha S.R.L.	5,920	6,791
Compañía Minera Coimolache S.A.	327	386
	6,247	7,177
Other receivables, note 7(a)		
Transportadora Callao S.A.	1,951	2,471
Compañía Minera Coimolache S.A.	1,016	1,234
	2,967	3,705
	9,214	10,882
Trade and other payables, note 14(a)		
Compañía Minera Coimolache S.A.	27	36
Sociedad Minera Cerro Verde S.A.A.	2	–
	29	36
Other payables, note 14(a)		
Other minor	51	20
	80	56

As of December 31, 2019 and 2018, there is no allowance for expected credit losses related to related parties accounts.

(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) Key officers -
As of December 31, 2019 and 2018, loans to employees, directors and key personnel amounts to US$31,000 and US$19,000, 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 2019 and 2018 are presented below:

	2019	2018
	US$(000)	US$(000)
Accounts payable:		
Directors' remuneration	1,746	2,628
Salaries	1,020	1,057
Provision for bonus to officers	6,205	6,345
Total	8,971	10,030
Disbursements:		
Salaries	12,690	12,908
Directors' compensations	1,746	2,628
Total	14,436	15,536

(e) The account receivable from Consorcio Transportadora Callao corresponds to the disbursements made between 2011 and 2013 by the subsidiary El Brocal in order to participate in the joint venture (see note 10(c)). This account receivable generates interest at an annual rate of 6.25 percent plus LIBOR at 3 months and it is estimated that it will be collected from the year 2023.

31. 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 (mining units in operation).
- Exploration and development projects.
- 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.).
- Industrial activities.

The accounting policies used by the Group in reporting segments internally are the same as those contained in the notes of the consolidated financial statements.

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. In addition, 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 or 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 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 that 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 or 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(d) 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.

	Uchucchacua (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Tambomayo (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(000)	Exploration and development mining projects 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 2019																			
Results:																			
Continuing operations																			
Operating income:																			
Net sale of goods	186,016	58,902	40,082	188,175	299,252	43,520	–	–	–	–	–	6,046	–	734,526	2,890,066	241,173	4,687,758	(3,865,828)	821,930
Net sale of services	–	–	–	–	–	–	–	59,690	15,687	–	615	19,557	–	4,776	–	–	100,325	(76,664)	23,661
Royalty income	–	–	–	–	–	–	–	–	–	22,297	–	–	–	–	–	–	22,297	–	22,297
Total operating income	186,016	58,902	40,082	188,175	299,252	43,520	–	59,690	15,687	22,297	615	25,603	–	739,302	2,890,066	241,173	4,810,380	(3,942,492)	867,888
Operating costs																			
Cost of sales of goods, excluding depreciation and amortization	(128,523)	(54,739)	(26,586)	(76,827)	(223,998)	(39,693)	–	–	–	–	–	(8,517)	–	(692,721)	(2,101,668)	(187,156)	(3,540,428)	3,027,554	(512,874)
Cost of services, excluding depreciation and amortization	–	–	–	–	–	–	–	(22,209)	–	–	–	(6,167)	–	(1,160)	–	–	(29,536)	26,158	(3,378)
Depreciation and amortization	(21,053)	(7,563)	(9,178)	(83,657)	(74,335)	(9,103)	–	(10,075)	–	–	–	(11,979)	–	–	–	–	(226,943)	608	(226,335)
Exploration in operating units	(8,917)	(9,040)	(5,864)	(11,613)	(8,727)	(2)	–	–	–	–	–	–	–	–	–	–	(44,163)	–	(44,163)
Mining royalties	(1,955)	(5,220)	(418)	(1,857)	(2,953)	(429)	–	–	–	–	–	–	–	–	–	–	(12,832)	–	(12,832)
Total operating costs	(160,448)	(76,562)	(42,046)	(173,954)	(310,013)	(49,227)	–	(32,284)	–	–	–	(26,663)	–	(693,881)	(2,101,668)	(187,156)	(3,853,902)	3,054,320	(799,582)
Gross profit (loss)	25,568	(17,660)	(1,964)	14,221	(10,761)	(5,707)	–	27,406	15,687	22,297	615	(1,060)	–	45,421	788,398	54,017	956,478	(888,172)	68,306
Operating expenses, net																			
Administrative expenses	(16,115)	(5,209)	(3,561)	(16,512)	(8,865)	(2,223)	(2,416)	(4,073)	(11,607)	(188)	(363)	(1,310)	(4,894)	(1,744)	–	(4,638)	(83,718)	7,421	(76,297)
Selling expenses	(6,876)	(258)	(403)	(3,940)	(10,856)	(321)	–	(1,115)	–	–	–	(1,324)	–	(1,722)	–	(1,163)	(27,978)	3,665	(24,313)
Exploration in non-operating areas	(2,534)	–	–	–	(2,011)	(2,784)	(90)	–	–	–	–	–	(4,492)	–	–	–	(11,911)	32	(11,879)
Impairment recovery (loss) of long-lived assets	–	–	(2,083)	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,083)	–	(2,083)
Reversal (provision) of contingent and others	(183)	1	(148)	127	2,079	(98)	(40)	166	–	–	–	–	1,067	–	–	–	2,971	(3)	2,968
Other, net	(4,147)	(8,104)	(776)	(3,767)	(6,568)	(1,119)	(419)	13,813	–	135	79	341	(2,686)	(35,987)	–	(5,667)	(54,872)	40,157	(14,715)
Total operating expenses, net	(29,855)	(13,570)	(6,971)	(24,092)	(26,221)	(6,545)	(2,965)	8,791	(11,607)	(53)	(284)	(2,293)	(11,005)	(39,453)	–	(11,468)	(177,591)	51,272	(126,319)
Operating profit (loss)	(4,287)	(31,230)	(8,935)	(9,871)	(36,982)	(12,252)	(2,965)	36,197	4,080	22,244	331	(3,353)	(11,005)	5,968	788,398	42,549	778,887	(836,900)	(58,013)
Other income (expense), net																			
Share in the results of associates and joint ventures	–	–	–	–	(44)	–	–	10,374	–	–	(53,143)	–	45,778	–	–	–	2,965	44,745	47,710
Finance income	–	–	–	–	417	2,006	14	263	15	30	10	277	7,751	18,859	10,356	549	40,547	(30,872)	9,675
Finance costs	(532)	(733)	(1,002)	(505)	(11,440)	(3,715)	(561)	(7,483)	(89)	(4)	(6)	(990)	(16,249)	(58,059)	(115,877)	(3,598)	(220,843)	178,670	(42,173)
Net gain (loss) from currency exchange difference	(124)	76	3	(12)	(191)	14	(156)	62	(119)	(9)	(9)	208	(481)	2,902	5,574	277	8,015	(8,749)	(734)
Total other income (expenses), net	(656)	(657)	(999)	(517)	(11,258)	(1,695)	(703)	3,216	(193)	17	(53,148)	(505)	36,799	(36,298)	(99,947)	(2,772)	(169,316)	183,794	14,478
Profit (loss) before income tax	(4,943)	(31,887)	(9,934)	(10,388)	(48,240)	(13,947)	(3,668)	39,413	3,887	22,261	(52,817)	(3,858)	25,794	(30,330)	688,451	39,777	609,571	(653,106)	(43,535)
Current income tax	–	–	–	–	(25)	(35)	–	(4,044)	(1,223)	(6,546)	(39)	–	–	(64,927)	(298,074)	(26,335)	(401,248)	389,337	(11,911)
Deferred income tax	–	–	–	–	15,410	(5,382)	–	(5,515)	91	–	–	1,554	31,344	–	–	15,017	52,519	(15,018)	37,501
Profit (loss) from continuing operations	(4,943)	(31,887)	(9,934)	(10,388)	(32,855)	(19,364)	(3,668)	29,854	2,755	15,715	(52,856)	(2,304)	57,138	(95,257)	390,377	28,459	260,842	(278,787)	(17,945)
Loss from discontinued operations																			(10,514)
Loss for the year																			(28,459)
Total assets	146,486	46,750	41,858	425,297	725,973	138,458	398,838	382,481	13,822	6,252	458,212	104,335	2,371,464	2,327,714	7,809,424	379,915	15,777,279	(11,670,005)	4,107,274
Total liabilities	42,265	36,945	35,045	34,142	329,869	68,100	23,223	183,426	6,007	2,286	101	20,918	407,153	1,838,002	2,460,175	125,097	5,612,754	(4,473,680)	1,139,074
Other segment information																			
Investment in associates and joint ventures	-	-	-	-	–	–	–	89,786	-	-	232,154	-	2,073,745	–	–	–	2,395,685	(907,438)	1,488,247
Capital Expenditures	31,479	1,323	1,559	9,641	28,298	1,629	26,494	223	85	-		1,443	453	–	–	–	102,627	–	102,627
Changes in estimates of mine	176	10,493	2,430	2,277	5,122	5,021	-			-		-	1,203				26,722	–	26,722
Fair value for contingent consideration liability	-	-	-	-	-	-	-	-	-	-	-	-	(655)	–	–	–	(655)	–	(655)
Accounts receivable from sale of assets	-	-	-	-	-	-	-	21,023	-	-	-	-	625	–	–	–	21,648	–	21,648

Notes to the consolidated financial statements (continued)

														Equity accounted investees					
	Uchucchacua (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Tambomayo (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(000)	Exploration and development mining projects 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 2018																			
Results:																			
Continuing operations																			
Operating income:																			
Net sale of goods	257,282	153,003	34,104	225,281	333,560	96,611	–	–	–	–	–	6,655	–	635,393	3,054,026	225,447	5,021,362	(3,915,033)	1,106,329
Net sale of services	–	–	–	–	–	–	–	62,962	14,986	–	615	19,908	–	21,965	–	–	120,436	(96,435)	24,001
Royalty income	–	–	–	–	–	–	–	–	–	20,385	–	–	–	–	–	–	20,385	–	20,385
Total operating income	257,282	153,003	34,104	225,281	333,560	96,611	–	62,962	14,986	20,385	615	26,563	–	657,358	3,054,026	225,447	5,162,183	(4,011,468)	1,150,715
Operating costs																			
Cost of sales of goods, excluding depreciation and amortization	(151,817)	(97,006)	(26,558)	(92,829)	(216,560)	(68,993)	–	–	–	–	–	(6,280)	–	(596,164)	(2,216,663)	(170,866)	(3,643,736)	3,030,355	(613,381)
Cost of services, excluding depreciation and amortization	–	–	–	–	–	–	–	(25,499)	–	–	–	(8,966)	–	(2,217)	–	–	(36,682)	32,364	(4,318)
Depreciation and amortization	(26,181)	(8,802)	(3,353)	(77,029)	(67,666)	(34,088)	–	(10,248)	–	–	–	(11,483)	–	–	–	–	(238,850)	(29)	(238,879)
Exploration in operating units	(20,898)	(29,563)	(8,646)	(20,553)	(9,996)	(74)	–	–	–	–	–	–	–	–	–	–	(89,730)	–	(89,730)
Mining royalties	(2,243)	(13,669)	(237)	(1,936)	(2,345)	(957)	–	–	–	–	–	–	–	–	–	–	(21,387)	(1)	(21,388)
Total operating costs	(201,139)	(149,040)	(38,794)	(192,347)	(296,567)	(104,112)	–	(35,747)	–	–	–	(26,729)	–	(598,381)	(2,216,663)	(170,866)	(4,030,385)	3,062,689	(967,696)
Gross profit (loss)	56,143	3,963	(4,690)	32,934	36,993	(7,501)	–	27,215	14,986	20,385	615	(166)	–	58,977	837,363	54,581	1,131,798	(948,779)	183,019
Operating expenses, net																			
Administrative expenses	(24,119)	(15,100)	(2,524)	(17,822)	(9,906)	(3,435)	(3,143)	(3,972)	(11,900)	(220)	(512)	(1,627)	2,377	(2,783)	–	(5,644)	(100,330)	23,231	(77,099)
Selling expenses	(8,213)	(775)	(356)	(3,046)	(12,201)	(784)	–	(1,173)	–	–	–	(924)	–	(2,627)	–	(1,135)	(31,234)	4,286	(26,948)
Exploration in non-operating areas	(18,339)	–	–	–	(7,199)	(5,002)	(2,883)	–	–	–	–	–	(4,091)	–	–	–	(37,514)	1,207	(36,307)
Reversal (provision) of contingent and others	6,784	(121)	947	1,263	(3,711)	(57)	6,130	(56)	–	–	–	2	(111)	–	–	–	11,070	178	11,248
Impairment recovery (loss) of long-lived assets	–	–	–	–	–	5,693	–	–	–	–	–	–	–	–	–	–	5,693	–	5,693
Other, net	(5,953)	(3,386)	(1,050)	(5,599)	32,565	(669)	138	562	–		2,773	194	(2,235)	(76,155)	–	(325)	(59,140)	57,832	(1,308)
Total operating expenses, net	(49,840)	(19,382)	(2,983)	(25,204)	(452)	(4,254)	242	(4,639)	(11,900)	(220)	2,261	(2,355)	(4,060)	(81,565)	–	(7,104)	(211,455)	86,734	(124,721)
Operating profit (loss)	6,303	(15,419)	(7,673)	7,730	36,541	(11,755)	242	22,576	3,086	20,165	2,876	(2,521)	(4,060)	(22,588)	837,363	47,477	920,343	(862,045)	58,298
Other income (expense), net																			
Share in the results of associates and joint ventures	–	–	–	–	–	–	–	8,589	–	–	(25,517)	–	15,081	–	–	–	(1,847)	703	(1,144)
Finance income	–	–	–	–	418	1,649	–	179	–	21	8	127	9,293	11,448	28,089	357	51,589	(41,904)	9,685
Finance costs	(308)	(395)	(95)	(262)	(10,365)	(1,946)	(222)	(7,576)	(2)	(11)	(25)	(932)	(17,194)	(39,024)	(426,733)	(2,935)	(508,025)	469,603	(38,422)
Net gain (loss) from currency exchange difference	196	168	8	209	108	(224)	(846)	(346)	19	18	2	(482)	(206)	(2,056)	6,161	(852)	1,877	(3,261)	(1,384)
Total other income (expenses), net	(112)	(227)	(87)	(53)	(9,839)	(521)	(1,068)	846	17	28	(25,532)	(1,287)	6,974	(29,632)	(392,483)	(3,430)	(456,406)	425,141	(31,265)
Profit (loss) before income tax	6,191	(15,646)	(7,760)	7,677	26,702	(12,276)	(826)	23,422	3,103	20,193	(22,656)	(3,808)	2,914	(52,220)	444,880	44,047	463,937	(436,904)	27,033
Current income tax	(768)	(559)	(72)	(656)	(8,332)	(24)	–	–	–	(6,025)	(444)	(2)	–	(30,368)	(325,170)	(23,405)	(395,825)	378,943	(16,882)
Deferred income tax	–	–	–	–	(10,803)	(1,220)	–	(7,584)	–	–	–	106	9,514	1,071	–	4,942	(3,974)	(6,023)	(9,997)
Profit (loss) from continuing operations	5,423	(16,205)	(7,832)	7,021	7,567	(13,520)	(826)	15,838	3,103	14,168	(23,100)	(3,704)	12,428	(81,517)	119,710	25,584	64,138	(63,984)	154
Loss from discontinued operations																			(11,808)
Loss for the year																			(11,654)
Total assets	126,374	39,725	39,537	461,335	773,554	158,718	372,344	366,354	12,154	7,154	520,484	106,391	2,421,547	2,047,472	7,554,712	361,669	15,369,524	(11,152,303)	4,217,221
Total liabilities	45,227	30,749	29,469	28,502	340,735	68,615	18,986	197,152	4,597	2,653	603	20,671	425,893	1,463,749	2,445,840	125,307	5,248,748	(4,061,092)	1,187,656
Other segment information																			
Investment in associates and joint ventures	–	–	–	–	–	–	–	–	–	–	–	–	1,473,382	–	–	–	1,473,382	–	1,473,382
Capital Expenditures	18,429	6,225	2,984	18,858	29,572	13,159	17,141	118	–	–	–	1,816	2,968	–	–	–	111,270	–	111,270
Changes in estimates of mine closures plans	4,101	1,003	16,484	(447)	19,926	(6,915)	9,063	–	–	–	–	–	(341)	–	–	–	42,874	–	42,874
Fair value for contingent consideration liability	–	–	–	–	–	–	1,815	–	–	–	–	–	–	–	–	–	1,815	–	1,815
Accounts receivable from sale of assets	–	–	–	–	–	–	–	–	–	–	1,622	–	1,093	–	–	–	2,715	–	2,715

	Uchucchacua (Operation)	Orcopampa (Operation)	Julcani (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: Minera Yanacocha S.R.L.	Equity accounted investees: Sociedad Minera Cerro Verde S.A.A	Equity accounted investees: Compañía Minera Coimolache S.A.	Total operating segments	Adjustments and eliminations	Total
	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 2017																				
Results:																				
Continuing operations																				
Operating income:																				
Net sale of goods	272,334	256,960	42,785	118,966	322,653	165,319	-	-	-	-	-	-	6,317	34,650	645,176	3,202,931	203,790	5,271,881	(4,084,675)	1,187,206
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	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	5,420,382	(4,182,740)	1,237,642
Operating costs																				
Cost of sales of goods, excluding depreciation and amortization	(143,288)	(115,574)	(31,190)	(53,555)	(193,874)	(102,474)	-	-	-	-	-	-	(6,043)	(34,029)	(746,918)	(1,768,238)	(121,021)	(3,316,204)	2,711,554	(604,650)
Cost of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(9,393)	(25,556)	-	-	-	(9,354)	-	(2,062)	-	-	(46,365)	33,411	(12,954)
Depreciation and amortization	(23,899)	(8,846)	(8,122)	(42,789)	(57,199)	(48,385)	-	(129)	(9,651)	-	-	-	(11,134)	-	-	-	-	(210,154)	-	(210,154)
Exploration in operating units	(27,068)	(38,820)	(13,009)	(9,543)	-	(871)	-	-	-	-	-	-	-	-	-	-	-	(89,311)	-	(89,311)
Mining royalties	(2,280)	(22,436)	(354)	(998)	(3,317)	(1,499)	-	-	-	-	-	-	-	-	-	-	-	(30,884)	-	(30,884)
Total operating costs	(196,535)	(185,676)	(52,675)	(106,885)	(254,390)	(153,229)	-	(9,522)	(35,207)	-	-	-	(26,531)	(34,029)	(748,980)	(1,768,238)	(121,021)	(3,692,918)	2,744,965	(947,953)
Gross profit (loss)	75,799	71,284	(9,890)	12,081	68,263	12,090	-	1,081	25,432	14,377	20,739	615	(556)	621	(81,934)	1,434,693	82,769	1,727,464	(1,437,775)	289,689
Operating expenses, net																				
Administrative expenses	(19,473)	(18,281)	(2,878)	(9,139)	(13,061)	(2,814)	(1,604)	(3,606)	(2,423)	(12,288)	(90)	(413)	(1,203)	443	(4,760)	-	(3,829)	(95,419)	14,753	(80,666)
Selling expenses	(6,078)	(1,016)	(605)	(1,387)	(10,914)	(881)	-	-	(1,264)	-	-	-	(775)	(167)	(3,922)	(141,669)	(946)	(169,624)	146,581	(23,043)
Exploration in non-operating areas	(2,676)	-	-	(3,214)	(1,976)	(2,870)	(2,771)	-	-	-	-	-	-	(5,052)	-	-	-	(18,559)	297	(18,262)
Reversal (provision) of contingent and others	(7,040)	(1)	(460)	(1,002)	-	(1,370)	(4,657)	100	312	-	-	-	-	378	-	-	-	(13,740)	-	(13,740)
Impairment recovery (loss) of long-lived assets	-	-	-	-	-	(21,620)	-	-	-	-	-	-	-	-	-	-	-	(21,620)	-	(21,620)
Write –off of stripping activity asset	-	-	-	-	(13,573)	-	-	-	-	-	-	-	-	-	-	-	-	(13,573)	-	(13,573)
Other, net	(1,799)	(715)	(1,403)	(175)	(2,922)	(970)	(94)	1,129	(94)	(4)	(1)	-	216	(2,012)	(63,512)	(258,826)	(587)	(331,769)	318,539	(13,230)
Total operating expenses, net	(37,066)	(20,013)	(5,346)	(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)	(664,304)	480,170	(184,134)
Operating profit (loss)	38,733	51,271	(15,236)	(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	1,063,160	(957,605)	105,555
Other income (expense),net																				
Share in the results of associates and joint ventures	-	-	-	-	-	-	-	-	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
Finance costs	(285)	(354)	(106)	(372)	(12,017)	(1,919)	(131)	(370)	(10,354)	(6)	(2)	(2)	(941)	(8,980)	(23,766)	(216,912)	(3,304)	(279,821)	245,270	(34,551)
Net gain (loss) from currency exchange difference	31	(63)	(75)	10	310	48	537	105	294	(75)	(41)	(4)	497	1,365	3,636	13,288	(174)	19,689	(16,750)	2,939
Total other income (expense), net	(254)	(417)	(181)	(362)	(11,528)	(1,201)	406	(265)	(1,348)	(80)	(36)	(66,192)	(365)	19,193	(14,299)	(198,274)	(3,258)	(278,461)	265,573	(12,888)
Profit (loss) before income tax	38,479	50,854	(15,417)	(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	784,699	(692,032)	92,667
Income tax	(1,101)	(1,085)	(153)	(538)	(3,903)	6,841	-	(400)	(3,491)	(742)	(6,044)	(38)	1,818	(9,052)	(7,026)	(486,043)	(23,362)	(534,319)	516,431	(17,888)
Profit (loss) from continued operations	37,378	49,769	(15,570)	(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	250,380	(175,601)	74,779
Loss from discontinued operations																				(10,344)
Net profit																				64,435
Total assets	146,464	54,114	20,922	538,057	792,594	190,310	342,759	14,004	360,610	9,004	6,611	988,841	109,669	1,950,147	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	32,501	388,899	87,008	14,527	5,153	205,247	4,616	2,378	414	20,245	431,505	1,360,217	2,501,845	150,743	5,315,362	(4,046,176)	1,269,186
Other segment information																				
Investment in associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	1,536,887	-	-	-	1,536,887	-	1,536,887
Capital Expenditures	18,127	12,674	1,951	131,119	61,060	17,326	13,733	3	852	14	-	-	459	2,189	-	-	-	259,507	-	259,507
Changes in estimates of mine closures plans	1,380	3,710	(761)	404	5,326	462	67	-	-	-	-	-	-	6	-	-	-	10,594	-	10,594
Fair value for contingent consideration liability	-	-	-	-	-	-	-	-	-	-	-	-	-	1,773	-	-	-	1,773	-	1,773
Accounts receivable from sale of assets	-	-	-	-	-	-	-	4,053	-	-	-	-	-	1,318	-	-	-	5,371	-	5,371

Reconciliation of segment profit (loss)

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

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Segments profit (loss)	260,842	64,138	250,380
Elimination of profit of equity accounted investees, not consolidated (owned by third parties)	(323,578)	(63,777)	(225,215)
Elimination of intercompany sales	(71,951)	(74,637)	(108,973)
Elimination of cost of sales and operating expenses intercompany	71,697	76,780	106,726
Elimination of share in the results of subsidiaries and associates	44,745	1,582	49,627
Others	300	(3,932)	2,234
Consolidated profit (loss) from continued operations	(17,945)	154	74,779

Reconciliation of segment assets

The reconciliation of segment assets to the consolidated assets follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Segments assets	15,777,279	15,369,524	15,614,979
Elimination of assets of equity accounted investees, not consolidated (owned by third parties)	(10,517,053)	(9,963,853)	(10,090,873)
Elimination of the subsidiaries and associates of the Parent company	(1,111,454)	(1,184,240)	(1,186,783)
Elimination of intercompany receivables	(64,708)	(32,444)	(32,769)
Others	23,210	28,234	28,259
Consolidated assets	4,107,274	4,217,221	4,332,813

Reconciliation of segment liabilities

The reconciliation of segment liabilities to the consolidated liabilities follows:

	2019 US$(000)	2018 US$(000)	2017 US$(000)
Segments liabilities	5,612,754	5,248,748	5,315,362
Elimination of liabilities of equity accounted investees, not consolidated	(4,423,274)	(4,034,896)	(4,012,805)
Elimination of intercompany payables	(50,395)	(27,822)	(32,769)
Others	(11)	1,626	(602)
Consolidated liabilities	1,139,074	1,187,656	1,269,186

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Uchucchacua (Operation) US$(000)	Tambomayo (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(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)	Total operating segments US$(000)	Adjustments and eliminations US$(000)	Total US$(000)
Year 2019															
Revenues by type of customers:															
Sales by customers -															
External	184,982	186,668	58,796	39,639	294,842	43,894	-	-	-	-	6,046	-	814,867	-	814,867
Inter-segment	-	-	-	-	62	-	-	-	-	-	-	-	62	(62)	-
	184,982	186,668	58,796	39,639	294,904	43,894	-	-	-	-	6,046	-	814,929	(62)	814,867
Services -															
External	-	-	-	-	-	-	7,974	15,687	-	-	-	-	23,661	-	23,661
Inter-segment	-	-	-	-	-	-	51,716	-	-	615	19,557	-	71,888	(71,888)	-
	-	-	-	-	-	-	59,690	15,687	-	615	19,557	-	95,549	(71,888)	23,661
Royalties -															
External	-	-	-	-	-	-	-	-	22,297	-	-	-	22,297	-	22,297
	184,982	186,668	58,796	39,639	294,904	43,894	59,690	15,687	22,297	615	25,603	-	932,775	(71,950)	860,825
Revenues by geographic region:															
Metal and concentrates sales -															
Peru	143,512	79,631	4,833	10,451	236,844	683	-	-	-	-	1,086	-	477,040	(62)	476,978
America	-	79,537	53,963	-	-	37,326	-	-	-	-	943	-	171,769	-	171,769
Asia	13,622	27,365	-	6,598	58,060	-	-	-	-	-	-	-	105,645	-	105,645
Europe	27,848	135	-	22,590	-	5,885	-	-	-	-	4,017	-	60,475	-	60,475
	184,982	186,668	58,796	39,639	294,904	43,894	-	-	-	-	6,046	-	814,929	(62)	814,867
Services -															
Peru	-	-	-	-	-	-	59,690	15,527	-	615	19,557	-	95,389	(71,888)	23,501
America	-	-	-	-	-	-	-	130	-	-	-	-	130	-	130
Europe	-	-	-	-	-	-	-	30	-	-	-	-	30	-	30
	-	-	-	-	-	-	59,690	15,687	-	615	19,557	-	95,549	(71,888)	23,661
Royalties -															
Peru	-	-	-	-	-	-	-	-	22,297	-	-	-	22,297	-	22,297
	184,982	186,668	58,796	39,639	294,904	43,894	59,690	15,687	22,297	615	25,603	-	932,775	(71,950)	860,825
Revenues by type of good or services:															
Sales by metal -															
Gold	-	134,387	58,737	278	18,104	42,698	-	-	-	-	-	-	254,204	(10)	254,194
Silver	159,713	38,112	263	40,889	57,903	1,300	-	-	-	-	-	-	298,180	(9)	298,171
Copper	-	-	-	79	238,327	-	-	-	-	-	-	-	238,406	(102)	238,304
Zinc	38,143	19,867	-	-	91,307	-	-	-	-	-	-	-	149,317	-	149,317
Lead	29,735	14,016	-	1,627	43,763	-	-	-	-	-	-	-	89,141	-	89,141
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	6,046	-	6,046	-	6,046
	227,591	206,382	59,000	42,873	449,404	43,998	-	-	-	-	6,046	-	1,035,294	(121)	1,035,173
Commercial deductions	(42,607)	(19,718)	(203)	(3,233)	(154,500)	(104)	-	-	-	-	-	-	(220,365)	59	(220,306)
	184,984	186,664	58,797	39,640	294,904	43,894	-	-	-	-	6,046	-	814,929	(62)	814,867
Sales by services -	-	-	-	-	-	-	59,690	15,687	-	615	19,557	-	95,549	(71,888)	23,661
Royalties income -	-	-	-	-	-	-	-	-	22,297	-	-	-	22,297	-	22,297
	184,984	186,664	58,797	39,640	294,904	43,894	59,690	15,687	22,297	615	25,603	-	932,775	(71,950)	860,825

Notes to the consolidated financial statements (continued)

	Uchucchacua (Operation) US$(000)	Tambomayo (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(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)	Total operating segments US$(000)	Adjustments and eliminations US$(000)	Total US$(000)
Year 2018															
Revenues by type of customers:															
Sales by customers -															
External	257,840	225,339	153,240	33,864	339,414	96,600	-	-	-	-	6,655	-	1,112,952	-	1,112,952
Inter-segment	-	-	-	-	167	-	-	-	-	-	-	-	167	(167)	-
	257,840	225,339	153,240	33,864	339,581	96,600	-	-	-	-	6,655	-	1,113,119	(167)	1,112,952
Services -															
External	-	-	-	-	-	-	9,015	14,986	-	-	-	-	24,001	-	24,001
Inter-segment	-	-	-	-	-	-	53,947	-	-	615	19,909	-	74,471	(74,471)	-
	-	-	-	-	-	-	62,962	14,986	-	615	19,909	-	98,472	(74,471)	24,001
Royalties -															
External	-	-	-	-	-	-	-	-	20,385	-	-	-	20,385	-	20,385
	257,840	225,339	153,240	33,864	339,581	96,600	62,962	14,986	20,385	615	26,564	-	1,231,976	(74,638)	1,157,338
Revenues by geographic region:															
Metal and concentrates sales -															
Peru	170,986	63,049	10,808	15,261	257,559	2,770	-	-	-	-	751	-	521,184	(167)	521,017
America	-	159,530	142,432	-	-	67,756	-	-	-	-	906	-	370,624	-	370,624
Asia	29,382	-	-	9,115	82,022	-	-	-	-	-	-	-	120,519	-	120,519
Europe	57,472	2,760	-	9,488	-	26,074	-	-	-	-	4,998	-	100,792	-	100,792
	257,840	225,339	153,240	33,864	339,581	96,600	-	-	-	-	6,655	-	1,113,119	(167)	1,112,952
Services -															
Peru	-	-	-	-	-	-	62,962	14,787	-	615	19,909	-	98,273	(74,561)	23,712
America	-	-	-	-	-	-	-	199	-	-	-	-	199	90	289
	-	-	-	-	-	-	62,962	14,986	-	615	19,909	-	98,472	(74,471)	24,001
Royalties -															
Peru	-	-	-	-	-	-	-	-	20,385	-	-	-	20,385	-	20,385
	257,840	225,339	153,240	33,864	339,581	96,600	62,962	14,986	20,385	615	26,564	-	1,231,976	(74,638)	1,157,338
Revenues by type of good or services:															
Sales by metal -															
Gold	11	150,939	149,092	28	18,463	93,358	-	-	-	-	-	-	411,891	(14)	411,877
Silver	217,843	54,109	5,243	35,307	46,060	3,583	-	-	-	-	-	-	362,145	(23)	362,122
Copper	-	-	(221)	129	275,119	-	-	-	-	-	-	-	275,027	(266)	274,761
Zinc	45,194	18,197	-	-	101,275	-	-	-	-	-	-	-	164,666	-	164,666
Lead	36,238	6,703	-	1,996	40,618	-	-	-	-	-	-	-	85,555	-	85,555
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	6,655	-	6,655	-	6,655
	299,286	229,948	154,114	37,460	481,535	96,941	-	-	-	-	6,655	-	1,305,939	(303)	1,305,636
Commercial deductions	(41,446)	(4,609)	(874)	(3,596)	(141,954)	(341)	-	-	-	-	-	-	(192,820)	136	(192,684)
	257,840	225,339	153,240	33,864	339,581	96,600	-	-	-	-	6,655	-	1,113,119	(167)	1,112,952
Sales by services -	-	-	-	-	-	-	62,962	14,986	-	615	19,909	-	98,472	(74,471)	24,001
Royalties income -	-	-	-	-	-	-	-	-	20,385	-	-	-	20,385	-	20,385
	257,840	225,339	153,240	33,864	339,581	96,600	62,962	14,986	20,385	615	26,564	-	1,231,976	(74,638)	1,157,338

Notes to the consolidated financial statements (continued)

	Uchucchacua (Operation) US$(000)	Orcopampa (Operation) US$(000)	Julcani (Operation) US$(000)	Tambomayo (Operation) US$(000)	Colquijirca (Operation) US$(000)	La Zanja (Operation) US$(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$(000)	Total operating segments US$(000)	Adjustments and eliminations US$(000)	Total US$(000)
Year 2017																
Revenues by type of customers:																
Sales by customers -																
External	266,482	256,957	41,120	118,376	333,097	132,108	-	-	-	-	-	6,317	34,016	1,188,473	-	1,188,473
Inter-segment	-	-	-	-	-	31,887	-	-	-	-	-	-	-	31,887	(31,887)	-
	266,482	256,957	41,120	118,376	333,097	163,995	-	-	-	-	-	6,317	34,016	1,220,360	(31,887)	1,188,473
Services -																
External	-	-	-	-	-	-	5,908	9,412	14,377	-	-	-	-	29,697	-	29,697
Inter-segment	-	-	-	-	-	-	4,695	51,227	-	-	615	19,658	-	76,195	(76,195)	-
	-	-	-	-	-	-	10,603	60,639	14,377	-	615	19,658	-	105,892	(76,195)	29,697
Royalties -																
External	-	-	-	-	-	-	-	-	-	20,739	-	-	-	20,739	-	20,739
	266,482	256,957	41,120	118,376	333,097	163,995	10,603	60,639	14,377	20,739	615	25,975	34,016	1,346,991	(108,082)	1,238,909
Revenues by geographic region:																
Metal and concentrates sales -																
Peru	209,300	17,774	13,049	34,337	239,317	32,607	-	-	-	-	-	852	705	547,941	(31,887)	516,054
America	-	239,183	-	84,039	459	125,875	-	-	-	-	-	3,776	18,531	471,863	-	471,863
Asia	19,078	-	12,140	-	89,501	-	-	-	-	-	-	-	-	120,719	-	120,719
Europe	38,104	-	15,931	-	3,820	5,513	-	-	-	-	-	1,689	14,780	79,837	-	79,837
	266,482	256,957	41,120	118,376	333,097	163,995	-	-	-	-	-	6,317	34,016	1,220,360	(31,887)	1,188,473
Services -																
Peru	-	-	-	-	-	-	10,014	60,639	14,205	-	615	19,658	-	105,131	(90,228)	14,903
America	-	-	-	-	-	-	589	-	172	-	-	-	-	761	14,033	14,794
	-	-	-	-	-	-	10,603	60,639	14,377	-	615	19,658	-	105,892	(76,195)	29,697
Royalties -																
Peru	-	-	-	-	-	-	-	-	-	20,739	-	-	-	20,739	-	20,739
	266,482	256,957	41,120	118,376	333,097	163,995	10,603	60,639	14,377	20,739	615	25,975	34,016	1,346,991	(108,082)	1,238,909
Revenues by type of good or services:																
Sales by metal -																
Gold	345	247,909	-	80,796	20,301	160,489	-	-	-	-	-	-	32,875	542,715	(31,733)	510,982
Silver	256,608	9,595	40,384	27,285	54,629	4,434	-	-	-	-	-	-	1,257	394,192	(935)	393,257
Copper	-	598	192	-	267,737	-	-	-	-	-	-	-	-	268,527	-	268,527
Zinc	31,814	-	-	7,914	130,790	-	-	-	-	-	-	-	-	170,518	-	170,518
Lead	32,244	-	4,660	4,735	44,318	-	-	-	-	-	-	-	-	85,957	-	85,957
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	-	6,317	-	6,317	-	6,317
Indium					66	-	-	-	-	-	-	-	-	66	-	66
	321,011	258,102	45,236	120,730	517,841	164,923	-	-	-	-	-	6,317	34,132	1,468,292	(32,668)	1,435,624
Commercial deductions	(54,529)	(1,145)	(4,116)	(2,354)	(184,744)	(928)	-	-	-	-	-	-	(116)	(247,932)	781	(247,151)
	266,482	256,957	41,120	118,376	333,097	163,995	-	-	-	-	-	6,317	34,016	1,220,360	(31,887)	1,188,473
Sales by services -	-	-	-	-	-	-	10,603	60,639	14,377	-	615	19,658	-	105,892	(76,195)	29,697
Royalties income -	-	-	-	-	-	-	-	-	-	20,739	-	-	-	20,739	-	20,739
	266,482	256,957	41,120	118,376	333,097	163,995	10,603	60,639	14,377	20,739	615	25,975	34,016	1,346,991	(108,082)	1,238,909

32. 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. These contracts are intended to reduce the volatility of the cash flows attributable to the fluctuations in the copper and zinc price in accordance with existing copper concentrate sales commitments, which are related to 50 percent of the annual production of copper and 25 percent of the production of two years of zinc, according to the risk strategy approved by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

As of December 31, 2019 and 2018, no hedge ineffectiveness was recorded.

As of December 31, 2019, there are not any hedge contract. As of December 31, 2018, the fair value of the hedge contracts amounts to an assets of US$2.8 million. The counterparty in ORI as of December 31, 2018, net of deferred income tax, amounts to a positive balance of US$1,946,000, and it is show in the equity account of “Other reserves of equity”. During 2019, 2018 and 2017, the effect in profit or loss was a gain of US$4.3 million, loss of US$1.4 million and loss of US$10.9 million, respectively, and it is show in the “Net sales of goods” caption, see note 20(b).

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2018:

		Quotations		
Quotation period	**Metric Ton**	**Fixed**	**Futures**	**Fair value** US$(000)
January 2019	1,000	7,345	5,961	1,381
February 2019	1,000	7,352	5,968	1,378
	2,000			2,759

33. 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. A committee that advises on financial risks supports it. 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, 2019, 2018 and 2017.

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, 2019 and 2018 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)
2019		
Exchange rate	10%	4,053
Exchange rate	(10%)	(3,545)
2018		
Exchange rate	10%	1,695
Exchange rate	(10%)	(1,681)
2017		
Exchange rate	10%	2,474
Exchange rate	(10%)	(2,459)

(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 affected by numerous factors beyond its control.

The Group manages its commodity price risk primarily using 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 under "Other reserves of equity". 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 profit (loss) before income tax** US$(000)
2019		
Interest rate	10	(306)
Interest rate	(10)	306
2018		
Interest rate	10	(277)
Interest rate	(10)	277
2017		
Interest rate	10	(677)
Interest rate	(10)	677

(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.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables:

		Days past due			
	Current US$(000)	**< 30 days** US$(000)	**30 – 90 days** US$(000)	**> 90 days** US$(000)	**Total** US$(000)
As of December 31, 2019 -					
Trade receivables	204,096	-	-	22,016	226,112
Other receivables	125,409	42,390	4,332	10,006	182,137
Expected credit loss	-	-	-	(32,022)	(32,022)
Total	329,505	42,390	4,332	-	376,227
As of December 31, 2018 -					
Trade receivables	146,701	-	-	22,013	168,714
Other receivables	58,584	44,773	2,250	10,089	115,696
Expected credit loss	-	-	-	(32,102)	(32,102)
Total	205,285	44,773	2,250	-	252,308

(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 believes that 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, 2019 -					
Bank loans	55,486	–	–	–	55,486
Trade and other payables	152,070	616	–	–	152,686
Financial obligation – capital	262,088	131,588	125,154	48,568	567,398
Financial obligation – interest	22,597	11,225	11,880	1,449	47,151
Lease – capital	3,692	1,514	2,297	–	7,503
Lease – interest	73	143	404	–	620
Contingent consideration liability	–	–	4,905	35,166	40,071
Total	496,006	145,086	144,640	85,183	870,915
As of December 31, 2018 -					
Bank loans	95,613	–	–	–	95,613
Trade and other payables	176,811	639	–	–	177,450
Financial obligation – capital	46,166	346,401	195,463	–	588,030
Financial obligation – interest	31,017	28,359	6,024	–	65,400
Contingent consideration liability	–	–	5,904	32,472	38,376
Total	349,607	375,399	207,391	32,472	964,869

(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.

34. 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	Quoted prices in active markets (Level 1)	Quoted prices in active markets (Level 2)	Quoted prices in active markets (Level 3)
	US$(000)	US$(000)	US$(000)	US$(000)
As of December 31, 2019 -				
Assets and liabilities measured at fair value:				
Fair value of account receivable	165,546	–	165,546	–
Contingent consideration liability	16,410	–	–	16,410
Hedge instruments	–	–	–	–
As of December 31, 2018 -				
Assets and liabilities measured at fair value:				
Fair value of account receivable	107,549	–	107,549	–
Contingent consideration liability	15,755	–	–	15,755
Hedge instruments	2,759	–	2,759	–

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 account receivable 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, 2019 and 2018.

There were no transfers between Level 1and Level 2 during 2019.

During 2019 and 2018, the fair value of the investment property amounted to US$544,000. There is not an independent valuation for investment property.

Notes to the consolidated financial statements (continued)

35. **Events after the reporting period**

There were no significant events identified after the balance sheet date (February 20, 2020) that are required to be disclosed.

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

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

Nº 0087468

COLEGIO DE CONTADORES PÚBLICOS DE LIMA

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TELEF.: 230-3000

R.U.C. 20106620106

Nº **87468**

Constancia de Habilitación

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

PAREDES, BURGA & ASOCIADOS S. CIVIL DE R.L.
MATRÍCULA: S0761
FECHA DE COLEGIATURA: 05/11/2002

Se encuentra, hábil a la fecha, para el ejercicio de las funciones profesionales que le faculta la Ley Nº 13253 y su modificatoria Ley Nº 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el **31/03/2020**

Lima, **12 de Abril de 2019**

Elsa R. Ugarte V.

CPCC Elsa Rosario Ugarte Vásquez
Decana

Penadillo C.

CPCC Moisés Manuel Penadillo Castro
Director Secretario

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

Comprobante de Pago: ....

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