Translation of a report and consolidated financial statements originally issued in Spanish - See Note 35 to the consolidated financial statements

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

Consolidated Financial Statements for the years 2018, 2017 and 2016, together with the Report of Independent Registered Public Accounting Firm

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 35 to the consolidated financial statements

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

# Consolidated Financial Statements for the years 2018, 2017 and 2016, together with the Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

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# 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, 2018 and 2017, 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, 2018, 2017 and 2016, and a summary of significant accounting policies and explanatory notes.

*Management's responsibility for the consolidated financial statements*

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

*Auditors' responsibility*

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

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

## Report of Independent Registered Public Accounting Firm (continued)

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Compañía de Minas Buenaventura S.A.A. and Subsidiaries as of December 31, 2018 and 2017 and their financial performance and cash flows for the years ended December 31, 2018, 2017 and 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Lima, Peru,
February 21, 2019

Countersigned by:

Paredes, Burga & Asociados

K. Villanueva

Katherine Villanueva
C.P.C.A. Register No. 36892

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 35 to the consolidated financial statements

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

## Consolidated statements of financial position

As of December 31, 2018 and 2017

| | Note | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 369,200 | 214,551 |
| Trade and other receivables, net | 7(a) | 211,715 | 314,308 |
| Inventories, net | 8(a) | 135,919 | 132,287 |
| Income tax credit | | 24,396 | 23,165 |
| Prepaid expenses | 9(a) | 17,145 | 17,551 |
| Hedge derivative financial instruments | 32 | 2,759 | – |
| | | 761,134 | 701,862 |
| **Non-current assets** | | | |
| Trade and other receivables, net | 7(a) | 40,593 | 44,191 |
| Inventories, net | 8(a) | 3,812 | 3,238 |
| Income tax credit | | 319 | 3,413 |
| Investments in associates and joint ventures | 10(a) | 1,473,382 | 1,536,887 |
| Mining concessions, development costs, property, plant and equipment, net | 11 | 1,847,615 | 1,949,555 |
| Investment properties, net | | 222 | 222 |
| Deferred income tax asset, net | 28(b) | 38,305 | 43,129 |
| Prepaid expenses | 9(a) | 26,578 | 27,555 |
| Other asset, net | 12 | 25,261 | 22,761 |
| | | 3,456,087 | 3,630,951 |
| **Total assets** | | 4,217,221 | 4,332,813 |
| **Liabilities and shareholders' equity, net** | | | |
| **Current liabilities** | | | |
| Bank loans | 13 | 95,000 | 96,215 |
| Trade and other payables | 14(a) | 188,084 | 233,355 |
| Provisions and contingent liabilities | 15(a) | 68,172 | 76,847 |
| Income tax payable | | 1,760 | 2,081 |
| Financial obligations | 16(a) | 46,166 | 83,991 |
| Hedge derivative financial instruments | 32 | – | 28,705 |
| | | 399,182 | 521,194 |
| **Non-current liabilities** | | | |
| Trade and other payables | 14(a) | 639 | 663 |
| Provisions and contingent liabilities | 15(a) | 199,762 | 164,877 |
| Financial obligations | 16(a) | 540,896 | 549,092 |
| Contingent consideration liability | 27(b) | 15,755 | 17,570 |
| Deferred income tax liabilities, net | 28(b) | 31,422 | 15,790 |
| | | 788,474 | 747,992 |
| **Total liabilities** | | 1,187,656 | 1,269,186 |
| **Shareholders' equity, net** | 17 | | |
| Capital stock | | 750,497 | 750,497 |
| Investment shares | | 791 | 791 |
| Additional paid-in capital | | 218,450 | 218,450 |
| Legal reserve | | 163,115 | 163,071 |
| Other reserves | | 269 | 269 |
| Retained earnings | | 1,675,909 | 1,728,847 |
| Other reserves of equity | | (703) | (13,888) |
| Shareholders 'equity, net attributable to owners of the parent | | 2,808,328 | 2,848,037 |
| Non-controlling interest | 18(a) | 221,237 | 215,590 |
| **Total shareholders' equity, net** | | 3,029,565 | 3,063,627 |
| **Total liabilities and shareholders' equity, net** | | 4,217,221 | 4,332,813 |

Translation of a report and consolidated financial statements originally issued in Spanish - See Note 35 to the consolidated financial statements

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

## Consolidated statements of profit

For the years ended December 31, 2018, 2017 and 2016

| | Note | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| **Operating income:** | | | | |
| Net sales of goods | 20(b) | 1,122,995 | 1,223,942 | 1,015,670 |
| Net sales of services | 20(b) | 24,001 | 29,697 | 28,782 |
| Royalty income | 20(b) | 20,385 | 20,739 | 24,339 |
| **Total operating income** | | 1,167,381 | 1,274,378 | 1,068,791 |
| **Operating costs** | | | | |
| Cost of sales of goods, excluding depreciation and amortization | 21(a) | (625,484) | (627,433) | (497,812) |
| Cost of services, excluding depreciation and amortization | 21(b) | (4,318) | (12,954) | (10,754) |
| Exploration in operating units | 22 | (90,343) | (94,928) | (96,149) |
| Depreciation and amortization | | (241,286) | (213,722) | (192,647) |
| Mining royalties | 23 | (21,526) | (31,217) | (27,611) |
| **Total operating costs** | | (982,957) | (980,254) | (824,973) |
| **Gross profit** | | 184,424 | 294,124 | 243,818 |
| **Operating expenses, net** | | | | |
| Administrative expenses | 24 | (78,760) | (83,597) | (81,692) |
| Exploration in non-operating areas | 25 | (36,307) | (18,262) | (26,589) |
| Selling expenses | | (27,522) | (24,088) | (21,733) |
| Reversal (provision) and contingent liabilities | 15(c) | 11,239 | (13,879) | (565) |
| Impairment recovery (loss) of long-lived assets | 11(b) | 5,693 | (21,620) | – |
| Write – off of stripping activity asset | 11(e) | – | (13,573) | – |
| Other, net | 26 | (5,012) | (13,589) | 18,957 |
| **Total operating expenses** | | (130,669) | (188,608) | (111,622) |
| **Operating profit** | | 53,755 | 105,516 | 132,196 |
| **Other income (expense), net** | | | | |
| Finance costs | 27 | (38,456) | (34,623) | (31,580) |
| Net gain (loss) from currency exchange difference | | (1,366) | 2,928 | 2,638 |
| Share in the results of associates | 10(b) | (1,144) | 13,207 | (365,321) |
| Finance income | 27 | 9,686 | 5,517 | 6,830 |
| **Total other income (expenses), net** | | (31,280) | (12,971) | (387,433) |
| **Profit (loss) before income tax** | | 22,475 | 92,545 | (255,237) |
| Current income tax | 28(c) | (16,928) | (23,837) | (39,444) |
| Deferred income tax | 28(c) | (9,998) | 5,825 | (14,060) |
| **Profit (loss) from continuing operations** | | (4,451) | 74,533 | (308,741) |
| **Discontinued operations** | | | | |
| Net loss from discontinued operations attributable to equity holders of the parent | 1(e) | (7,203) | (10,098) | (19,073) |
| **Profit (loss) for the year** | | (11,654) | 64,435 | (327,814) |
| **Attributable to:** | | | | |
| Equity holders of the parent | | (13,445) | 60,823 | (323,492) |
| Non-controlling interest | 18(a) | 1,791 | 3,612 | (4,322) |
| | | (11,654) | 64,435 | (327,814) |
| Basic and diluted profit (loss) per share attributable to equity holders of the parent, stated in U.S. dollars | 17(e) | (0.05) | 0.24 | (1.27) |
| Profit (loss) for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars | 17(e) | (0.02) | 0.28 | (1.20) |

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

# Consolidated statements of other

For the years ended December 31, 2018, 2017 and 2016

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Net profit (loss)** | (11,654) | 64,435 | (327,814) |
| **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 | 31,464 | (26,822) | (4,368) |
| Income tax effect | (9,916) | 7,963 | (1,301) |
| Unrealized gain on investments | 1,053 | (427) | 279 |
| | 22,601 | (19,286) | (5,390) |
| **Total other comprehensive profit (loss), net of income tax** | 10,947 | 45,149 | (333,204) |
| **Attributable to:** | | | |
| Equity holders of the parent | (260) | 48,718 | (327,515) |
| Non-controlling interests | 11,207 | (3,569) | (5,689) |
| | 10,947 | 45,149 | (333,204) |

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

## Consolidated statements of changes in equity

For the years ended December 31, 2018, 2017 and 2016

| | 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, 2016** | 253,715,190 | 750,497 | 1,396 | 219,055 | 162,714 | 269 | 2,024,895 | 2,240 | 3,161,066 | 228,170 | 3,389,236 |
| Net loss | – | – | – | – | – | – | (323,492) | – | (323,492) | (4,322) | (327,814) |
| Other comprehensive loss | – | – | – | – | – | – | – | (4,023) | (4,023) | (1,367) | (5,390) |
| **Total other comprehensive income (loss)** | – | – | – | – | – | – | (323,492) | (4,023) | (327,515) | (5,689) | (333,204) |
| Dividends declared and paid, note 17(d) | – | – | – | – | – | – | (7,621) | – | (7,621) | (7,400) | (15,021) |
| Expired dividends, note 17(c) | – | – | – | – | 30 | – | – | – | 30 | – | 30 |
| Change in non-controlling interest, note 18(a) | – | – | – | – | – | – | (3,659) | – | (3,659) | 11,041 | 7,382 |
| Treasury shares, note 17(b) | – | – | (605) | (605) | – | – | – | – | (1,210) | – | (1,210) |
| **As of December 31, 2016** | 253,715,190 | 750,497 | 791 | 218,450 | 162,744 | 269 | 1,690,123 | (1,783) | 2,821,091 | 226,122 | 3,047,213 |
| Net profit | – | – | – | – | – | – | 60,823 | – | 60,823 | 3,612 | 64,435 |
| Other comprehensive loss | – | – | – | – | – | – | – | (12,105) | (12,105) | (7,181) | (19,286) |
| **Total other comprehensive 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 loss | – | – | – | – | – | – | – | 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 |

## Compañía de Minas Buenaventura S.A.A. and Subsidiaries
# Consolidated statements of cash flows
For the years ended December 31, 2018, 2017 and 2016

| | Note | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Proceeds from sales | | 1,216,294 | 1,197,523 | 1,003,422 |
| Tax recovery | | 106,656 | 102,548 | 117,661 |
| Dividends received | 30(a) | 46,792 | 9,823 | 142,340 |
| Proceeds from insurance claim | 7(g) | 38,793 | - | - |
| Royalty received | | 20,013 | 21,565 | 25,961 |
| Interest received | | 2,383 | 3,169 | 2,140 |
| Payments to suppliers and third parties | | (861,282) | (872,467) | (672,419) |
| Payments to employees | | (151,602) | (160,891) | (138,113) |
| Income tax paid | | (30,898) | (38,121) | (35,401) |
| Interest paid | | (27,699) | (30,402) | (34,138) |
| Payments of mining royalties | | (13,190) | (20,165) | (20,052) |
| **Net cash and cash equivalents provided by operating activities** | | 346,260 | 212,582 | 391,401 |
| **Investing activities** | | | | |
| Proceeds from sale of mining concessions, development costs, property, plant and equipment | | 2,240 | 1,962 | 7,180 |
| Additions to mining concessions, development costs, property, plant and equipment | 11(a) | (111,270) | (259,507) | (366,834) |
| Payments for acquisition of other assets | 12 | (8,529) | (5,405) | (5,222) |
| Proceeds from collection of loan to an associate | 30(a) | – | 124,800 | – |
| **Net cash and cash equivalents used in investing activities** | | (117,559) | (138,150) | (364,876) |
| **Financing activities** | | | | |
| Proceeds from bank loans | 13 | 95,000 | 341,215 | 200,500 |
| Payments of bank loans | 13 | (95,000) | (300,000) | (442,957) |
| Proceeds from financial obligations | 16(f) | - | 80,000 | 275,210 |
| Payments of financial obligations | 16(f) | (45,222) | (32,599) | (33,476) |
| Dividends paid to controlling shareholders | 14(c) | (22,860) | (22,099) | (7,621) |
| Dividends paid to non-controlling shareholders | 17(d) | (5,560) | (6,036) | (7,400) |
| Increase of restricted bank accounts | 7(e) | (410) | (285) | (2,087) |
| Purchase of treasury share | 17(b) | – | – | (1,210) |
| Acquisition of non-controlling interest | 18(a) | – | (621) | (5,459) |
| **Net cash and cash equivalents provided by (used in) financing activities** | | (74,052) | 59,575 | (24,500) |
| Increase in cash and cash equivalents for the year, net | | 154,649 | 134,007 | 2,025 |
| Cash and cash equivalents at beginning of year | | 214,551 | 80,544 | 78,519 |
| **Cash and cash equivalents at year-end** | | 369,200 | 214,551 | 80,544 |
| **Financing and investing activities not affecting cash flows:** | | | | |
| Changes in mine closures plans | 15(b) | 42,874 | 10,594 | 34,532 |
| Contingent consideration liability | 27(b) | 1,815 | 1,773 | 2,349 |
| Accounts receivable from sale of assets | 7(a) | 2,715 | 5,371 | 5,204 |

# Notes to the consolidated financial statements

For the years 2018, 2017 and 2016

**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 five operating mining units in Peru (Uchucchacua, Orcopampa, Julcani, Mallay and Tambomayo), two discontinued mining units (Poracota and Shila-Paula), and one mining unit under development stage (San Gabriel). In addition, the 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 developed in Peru.

(c) Approval of consolidated financial statements -

The consolidated financial statements as of December 31, 2018 were approved by the Board of Directors on February 21, 2019 and, in its opinion, will be approved without modifications in the Shareholders’ Meeting to be held within the term established by Law.

The consolidated financial statements as of December 31, 2017 were approved by the Board of Directors on February 27, 2018.

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

| | Country of incorporation and business | Ownership as of December 31, | | | |
|---|---|---|---|---|---|
| | | 2018 | | 2017 | |
| | | 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 |
| **Construction, engineering services and 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 |
| Buenaventura Ingenieros S.A. (**) | Peru | - | - | 100.00 | - |
| BISA Argentina S.A. (***) | Argentina | - | - | 56.42 | 43.58 |
| **Industrial activities:** | | | | | |
| Procesadora Industrial Río Seco S.A. | Peru | 100.00 | - | 100.00 | - |

(*) As of December 31, 2018 and 2017, 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, 2018 and 2017), has an interest in El Brocal’s capital stock, through which the Company holds an indirect participation in El Brocal of 58.24 as of December 31, 2018 and 2017.

(**) As of April 30, 2018, the Company sold its investment in Buenaventura Ingenieros S.A. for US$7.1 million with a related sale costs of US$11.2 million. The transaction generates a net loss of US$4.1 million. See note 26.

(***) As of August 06, 2018, the liquidation of this subsidiary was made.

(e) Discontinued operations

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 2016, the Group sold the Antapite mining unit for US$1.0 million, which resulted in a net loss of US$3.0 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 for the years 2018, 2017 and 2016, are presented below:

| | **2018** | **2017** | **2016** |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| Operating activities | (6) | (8) | (7) |
| Net decrease in cash and cash equivalents during the year | (6) | (8) | (7) |

The results of the discontinued operations mining units for the years 2018, 2017 and 2016 are presented below:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Operating income** | | | |
| Net sales | – | – | 1,149 |
| **Total income** | – | – | 1,149 |
| **Operating costs** | | | |
| Cost of sales, excluding depreciation and amortization | – | – | (4,842) |
| Exploration | – | – | (3,777) |
| Depreciation and amortization | – | – | (5,049) |
| Mining royalties | – | – | (11) |
| **Total operating costs** | – | – | (13,679) |
| **Gross loss** | – | – | (12,530) |
| **Operating income (expenses), net** | | | |
| Reversal of Impairment loss of long-lived assets, note 11(b) | 2,837 | 17,197 | – |
| Changes in provision for closure of mining units, note 15(b) | (6,013) | (12,701) | (3,365) |
| Derecognition of long-lived assets | (2,837) | – | – |
| Net loss in sale of mining units | – | (18,550) | (3,014) |
| Administrative expenses | – | (941) | (111) |
| Reversal (provision) for contingencies | – | (423) | 901 |
| Gain (loss) for sale in other assets | – | (162) | 3,200 |
| Reversal of provision for closure of mining units for sale of mining units, note 15(b) | – | 11,700 | – |
| Reversal of provision for impairment of inventories, note 8(c) | – | 1,345 | 706 |
| Impairment loss of long-lived assets, note 11(b) | – | – | (2,043) |
| Others, net | (1,147) | (6,871) | (1,793) |
| **Total operating expenses, net** | (7,160) | (9,406) | (5,519) |
| **Operating loss** | (7,160) | (9,406) | (18,049) |
| **Other income (expense), net** | | | |
| Finance costs, note 15(b) | (54) | (694) | (970) |
| Net gain (loss) from currency exchange difference | 11 | 2 | (50) |
| **Total other expenses, net** | (43) | (692) | (1,020) |
| **Loss before income tax** | (7,203) | (10,098) | (19,069) |
| Income tax | – | – | (4) |
| **Loss from discontinued operations** | (7,203) | (10,098) | (19,073) |
| Loss from the discontinued operations, per basic and diluted share, express in U. S. dollars | (0.03) | (0.04) | (0.07) |

**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.

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.

2.3. Changes in accounting policies and disclosures -

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018; however, they did not have material impact on the annual consolidated financial statements of the Group and therefore, have not been disclosed. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*IFRS 15 Revenue from Contracts with Customers*

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the Group elected to apply the standard only to contracts that are not completed as of January 1, 2018.

The Group concluded that there are no adjustments as a consequence of initially applying IFRS 15, therefore no effects were recognised at the date of initial application. Comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

*IFRS 9 Financial Instruments*

The Group applied IFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There were no adjustments to the financial statements arising from the adoption of IFRS 9.

Adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. Upon adoption of IFRS 9 no additional impairment was recognized.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as of January 1, 2018.

| | | IFRS 9 measurement category | | |
|---|---|---|---|---|
| | **US$(000)** | **Fair value through profit or loss** US$(000) | **Amortized cost** US$(000) | **Fair value through other profit or loss** US$(000) |
| **IAS 39 measurement category** | | | | |
| **Financial Assets -** | | | | |
| Loans and receivables - | | | | |
| Trade receivables (without provisional prices) | 61,188 | - | 61,188 | - |
| Trade receivables (with provisional prices) | 144,844 | 152,268 | - | - |
| Other accounts receivables | 51,808 | - | 51,808 | - |
| Financial assets at fair value through profit and loss - | | | | |
| Embedded derivatives | 7,424 | - | - | - |
| **Financial Liabilities -** | | | | |
| Loans and borrowings - | | | | |
| Bank loans | 96,215 | - | 96,215 | - |
| Financial obligations | 633,083 | - | 633,083 | - |
| Trade and other payables | 220,042 | - | 220,042 | - |
| Financial liability at fair value through profit and loss - | | | | |
| Contingent consideration liability | 17,570 | 17,570 | - | - |
| **Fair value with changes in profit (loss) -** | | | | |
| Hedge derivative financial instruments | 28,705 | - | - | 28,705 |

Hedge accounting -

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Upon adoption of the hedge accounting requirements of IFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under "Other reserves of equity" caption. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

2.4. Summary of significant accounting policies -

(a) Foreign currencies -

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

*Transactions and balances*

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

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

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

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

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

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (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 amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest¨ 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 time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

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

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

*Financial assets at amortised cost -*
The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

The Group did not have any financial assets at fair value through OCI as of December 31, 2018 and 2017.

*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 amortised 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 recognised in the consolidated statements of profit or loss.

This category generally applies to 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 recognises 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 recognised 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 recognises 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 90 days past due. 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 and 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 the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by 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 not designated financial liabilities as at fair value through profit or loss.

*Loans and borrowings -*

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

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the consolidated statements of profit or loss. 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 in the consolidated statements of financial position comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less, which are 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 -
Finished goods and in process products 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 long-term.

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

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

(e) Business combinations and goodwill -

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of 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 and 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 acquire, are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed 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 other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate 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.

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. 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. The capitalized value of a finance lease is also included in this caption.

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

*Depreciation -*

Unit-of-production method:

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

Straight-line method:

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

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

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

*Disposal of assets -*

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

(i) Leases -

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

*Group as a lessee -*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of profit or loss.

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

Payment related to operating leases are recognized as operating expenses in the consolidated statement of profit and loss under a straight-line amortization under the period of the lease.

*Group as a lessor -*

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

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

(j) Mining concessions -

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

Cost includes the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of a business combination.
At end of each year, the Group evaluates if there is any indicator of impairment. If any indicator exists, the Group estimates the asset's recoverable amount.

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

(k) Exploration and mine development costs –
*Exploration costs -*
Exploration costs are expensed as incurred. These costs primarily include materials and fuels used, surveying costs, drilling costs and payments made to the contractors.

Exploration and evaluation activity includes:

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

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

The development costs include:

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

Development costs necessary to maintain production are expensed as incurred.

(l) Stripping (waste removal) costs -

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

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

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

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

The stripping activity asset is initially measured at cost, which 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, property, plant and equipment, net in the consolidated statements of financial position.

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

(m) Investment properties -

Investment properties are measured at cost, net of accumulated depreciation and impairment loss, if any. Depreciation of the investment properties is determined using the straight-line method with useful life of 20 years.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the 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 an asset’s or cash-generating unit' (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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 after the fifth year.

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

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

(o) Provisions -

*General* -

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

*Provision for closure of mining units* -

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

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

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

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

(p) Treasury shares -

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

(q) Revenue recognition -

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

*Sales of 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, generally on delivery of the goods. 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 consider 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. There variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Sales of concentrates and metals at provisionally prices include a gain (loss) to be received at the end of the quotation period (QP).

Revenue is recognized at the amount the Group expects to be entitled – being the estimate of the price expected to be received at the end of the quotation period (QP) using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price. 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.

*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 in accordance with the accrual method considering the substance of the relevant agreement.

*Dividends -*

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

*Rental income -*

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

(r) Benefits to employees -

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

Workers’ profit sharing -

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

(s) Borrowing costs -

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

(t) Taxes -

*Current income tax -*

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

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

*Deferred income tax -*

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

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

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

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

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

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

*Peruvian mining royalties and special mining tax -*

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

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

*Sales tax -*

Expenses and assets are recognized net of the amount of sales tax, except:

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

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

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

(u) Fair value measurement

The Group measures its financial instruments at fair value at the date of the consolidated statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group's Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the Group's Management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies.

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

(v) Derivative financial instruments and hedge accounting -

*Initial recognition and subsequent measurement* -

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

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

Before January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning January 1, 2018, 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 caption other equity reserves, while the ineffective portion is recognized immediately in the consolidated statements of profit or loss in the finance costs caption.

(w) Discontinued operations -

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

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

**3. Significant judgments, estimates and assumptions**

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

3.1. Judgments

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

(a) Contingencies -

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

(b) Development start date -

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

(c) Production start date -

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

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

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

(d) 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 recognised 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 -

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

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

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

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

(c) Mine rehabilitation provision -
The Group assesses its mine rehabilitation provision at each reporting date using a 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 rehabilitation 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 rehabilitation costs required.

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

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

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

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

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

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

**4. Standards issued but not effective**

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

*IFRS 16 Leases -*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is evaluating the impact of IFRS 16 in its consolidated financial statements and plans to adopt the new standard on the required effective date. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Also, the Group will elect to use the exemptions proposed by the standard.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment -*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and 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 is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Group is evaluating the impact of IFRIC 23 in its consolidated financial statements and plans to adopt the new standard on the required effective date.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

*Annual Improvements 2015-2017 Cycle (issued in December 2017) -*
These improvements include:

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. 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 will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements

A party 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 it 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 are currently not applicable to the Group but may apply to future transactions.

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 recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. Since the Group’s current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

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. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An 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 these amendments, the Group does not expect any effect on its 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, 2018, the exchange rates for U.S. dollars published by this Institution were US$0.2968 for buying and US$0.2959 for selling (US$0.3088 for buying and US$0.3082 for selling as of December 31, 2017), and have been applied by the Group for the assets and liabilities accounts, respectively.

As of December 31, 2018 and 2017, the Group presents the following assets and liabilities originally denominated in Soles by its equivalent in U.S. dollars:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 11,526 | 6,233 |
| Trade and other receivables | 88,513 | 154,506 |
| Income tax credit | 24,277 | 24,779 |
| Prepaid expenses | - | 1,182 |
| | 124,316 | 186,700 |
| **Liabilities** | | |
| Bank loans | - | (1,215) |
| Trade and other payables | (53,962) | (100,860) |
| Income tax payable | (2,080) | (7,088) |
| Provisions and contingent liability | (31,282) | (35,572) |
| | (87,324) | (144,735) |
| **Net asset position** | 36,992 | 41,965 |

## 6. Cash and cash equivalents

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Cash | 347 | 327 |
| Bank accounts (b) | 57,078 | 51,953 |
| Time deposits (c) | 311,775 | 162,271 |
| | 369,200 | 214,551 |

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

(c) As of December 31, 2018 and 2017, time deposits were kept in prime financial institutions, which generated interest at annual market rates and had original maturities of less than 90 days, according to the immediate cash needs of the Group.

## 7. Trade and other receivables, net

(a) Trade and other receivables, net

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Trade receivables, net (b)** | | |
| Domestic clients | 105,225 | 109,543 |
| Foreign clients | 56,312 | 119,388 |
| Related entities, note 30(b) | 7,177 | 7,348 |
| | 168,714 | 236,279 |
| Allowance for expected credit losses (f) | (22,013) | (22,823) |
| | 146,701 | 213,456 |
| **Other receivables** | | |
| Value added tax credit | 49,332 | 74,785 |
| Accounts receivables to third parties | 24,625 | 27,859 |
| Advances to suppliers | 7,542 | 1,977 |
| Refund applications of value added tax (c) | 6,574 | 18,450 |
| Tax deposits (d) | 4,769 | 9,733 |
| Account receivables from hedges derivatives | 3,949 | 2,300 |
| Related entities, note 30(b) | 3,705 | 732 |
| Interest receivables | 3,000 | 1,719 |
| Restricted bank accounts (e) | 2,782 | 2,372 |
| Due from for sales of assets | 2,715 | 5,371 |
| Tax claims | 2,573 | 2,300 |
| Loans to personal | 1,392 | 1,179 |
| Insurance claim (g) | - | 3,716 |
| Other minor | 2,738 | 1,911 |
| Allowance for expected credit losses (f) | (10,089) | (9,361) |
| | 105,607 | 145,043 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |

| | | |
|---|---|---|
| **Classification by maturity:** | | |
| Current portion | 211,715 | 314,308 |
| Non-current portion | 40,593 | 44,191 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |
| **Classification by nature:** | | |
| Financial receivables | 196,402 | 265,264 |
| Non-financial receivables | 55,906 | 93,235 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |
| **Classification by measurement :** | | |
| Trade receivables (without provisional prices) | 39,152 | 61,188 |
| Trade receivables (with provisional prices) | 107,549 | 152,268 |
| Other accounts receivables | 105,607 | 145,043 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |

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

(c) This item mainly corresponds current year applications that have been refunded during 2018.

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

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

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 2,372 | 2,087 | - |
| Increase in restricted bank accounts | 410 | 285 | 2,087 |
| **Final balance** | 2,782 | 2,372 | 2,087 |

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

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 32,184 | 31,607 | 26,520 |
| Provision for other receivable, note 26 | 1,334 | - | - |
| Provision for trade receivables, note 24 | 18 | 676 | 5,087 |
| Provision of the period | 1,352 | 676 | 5,087 |
| Write off of the period | (410) | - | - |
| Exchange difference | (173) | - | - |
| Reversals of the period, note 26 | (45) | (99) | - |
| Other minor | (806) | - | - |
| **Final balance** | 32,102 | 32,184 | 31,607 |
| Trade receivables | 22,013 | 22,823 | 22,644 |
| Other receivables | 10,089 | 9,361 | 8,963 |
| | 32,102 | 32,184 | 31,607 |

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

(g) Corresponds to the indemnity for the sinister 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.

**8. Inventory, net**

(a) This caption is made up as follows:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| Finished goods | 7,715 | 6,151 |
| Products in process (b) | 73,796 | 56,190 |
| Spare parts and supplies | 81,383 | 84,787 |
| | 162,894 | 147,128 |
| Provision for impairment of value of inventory (c) | (23,163) | (11,603) |
| | 139,731 | 135,525 |
| **Classification by use:** | | |
| Current portion | 135,919 | 132,287 |
| Non-current portion | 3,812 | 3,238 |
| | 139,731 | 135,525 |

(b) Products in process include mineral deposits located in the Tajo Norte mining unit (El Brocal). The detail of this mineral as of December 31, 2018 and 2017 is presented below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | US$(000) | DMT | US$(000) | DMT |
| Mineral in stock piles | 5,297 | 342,411 | 7,173 | 463,746 |
| Fresh mineral in plant | 32,506 | 1,818,008 | 11,983 | 835,613 |
| Tail mineral | - | - | 279 | 30,110 |
| | 37,803 | 2,160,419 | 19,435 | 1,329,469 |
| Provision for impairment of value in mineral classified in process | (1,467) | - | (1,467) | - |
| | 36,336 | 2,160,419 | 17,968 | 1,329,469 |
| **Classification by use:** | | | | |
| Current portion | 33,383 | | 14,730 | |
| Non-current portion | 2,953 | | 3,238 | |
| | 36,336 | | 17,968 | |

El Brocal´ Management estimates to use the non-current mineral during the years 2019 and 2020, according to the new mining plans prepared by El Brocal.

c) The provision for impairment of value of inventory had the following movement during the years 2018, 2017 and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Beginning balance** | 11,603 | 8,386 | 20,472 |
| Provision for impairment of finished and in progress goods, note 21(a) | 4,640 | 2,118 | – |
| Reversal for impairment of finished and in progress goods (continuing operations), note 21(a) | (119) | – | (7,581) |
| Provision for impairment of spare parts and supplies, note 26 | 7,039 | 2,444 | – |
| Reversal for impairment of spare parts and supplies (discontinued operations), note 1(e) | – | (1,345) | (706) |
| Transfer from mining units held for sale | – | – | 1,448 |
| Reversal in provision for impairment of inventories | – | – | (5,137) |
| Reversal for impairment of spare parts and supplies, note 26 | – | – | (110) |
| **Final balance** | 23,163 | 11,603 | 8,386 |

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:

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| Prepaid rentals (b) | 27,464 | 28,349 |
| Prepaid insurances | 12,486 | 12,401 |
| Deferred costs of works for taxes | 2,407 | 2,013 |
| Other prepaid expenses | 1,366 | 2,343 |
| | 43,723 | 45,106 |
| **Classification by maturity:** | | |
| Current portion | 17,145 | 17,551 |
| Non-current portion | 26,578 | 27,555 |
| | 43,723 | 45,106 |

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

**10. Investments in associates and joint ventures**

(a) This caption is made up as follows:

| | Share in equity | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | % | % | US$(000) | US$(000) |
| **Associates** | | | | |
| Sociedad Minera Cerro Verde S.A.A. | 19.58 | 19.58 | 1,108,284 | 1,124,008 |
| Minera Yanacocha S.R.L. | 43.65 | 45.95 | 271,036 | 324,861 |
| Compañía Minera Coimolache S.A. | 40.10 | 40.10 | 89,554 | 86,183 |
| | | | 1,468,874 | 1,535,052 |
| Other minor investments | | | 1,835 | 1,835 |
| Joint ventures | | | 2,673 | - |
| | | | 1,473,382 | 1,536,887 |

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| Minera Yanacocha S.R.L. | (35,582) | (76,585) | (455,598) |
| Sociedad Minera Cerro Verde S.A.A. | 23,444 | 68,521 | 66,763 |
| Compañía Minera Coimolache S.A. | 10,994 | 21,271 | 23,514 |
| | (1,144) | 13,207 | (365,321) |

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 2018, 2017 and 2016. 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.

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.

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

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Statements of financial position as of December 31:** | | |
| Current assets | 960,758 | 1,055,135 |
| Non-current assets | 1,086,714 | 964,260 |
| Current liabilities | (128,170) | (123,315) |
| Non-current liabilities | (1,335,579) | (1,236,965) |
| **Shareholders' equity, reported** | 583,723 | 659,115 |
| Groups' interest | 254,795 | 302,863 |
| Goodwill | 16,241 | 21,998 |
| | 271,036 | 324,861 |

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Statements of profit or loss for the years ended December 31:** | | | |
| Net sales | 657,358 | 645,176 | 761,193 |
| **Net loss from continued operations** | (81,517) | (175,454) | (1,043,752) |
| Share in results | (35,582) | (76,585) | (455,598) |

***Evaluation of impairment in investments –***

During 2018 and 2017, the Yanacocha´s Management evaluated and concluded that there are no indicators of impairment of its long-lived assets; in addition, the Group's management determined that there was no objective evidence that its investment in Yanacocha might be impaired as of December 31, 2018 and 2017.

In 2016, Yanacocha evaluated the recoverability of its long-lived assets and determined an impairment charge, net of taxes, of US$889.5 million, which reduced Yanacocha's net worth and, therefore, the equity interest of the Company in this associate during the year 2016. As a result, the Company's Management determined that there was objective evidence that its investment in Yanacocha might be impaired as of December 31, 2016. During 2016, compared to prior years, Yanacocha experienced a decrease in the volume of gold produced, an increase in production costs, and a decrease in operating cash flows, all of which resulted from a depletion of Yanacocha's gold reserves. As a result of these indicators, the Company performed an impairment test in December 2016. The recoverable amount of the Company's investment in Yanacocha was determined to be US$528.9 million as of December 31, 2016, which was based on a value in use calculation using cash flow projections from Yanacocha's financial budgets from 2017 to 2026. As a result of this analysis, the Company concluded that no additional impairment loss on its investment in Yanacocha was required to be recorded as the recoverable amount exceeded the recorded value of the investment.

*Key assumptions*

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

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

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

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

**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:

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Statements of financial position as of December 31:** | | |
| Current assets | 1,485,537 | 1,563,874 |
| Non-current assets | 6,069,175 | 6,127,133 |
| Current liabilities | (408,754) | (510,790) |
| Non-current liabilities | (2,037,086) | (1,991,055) |
| **Shareholders' equity, reported** | 5,108,872 | 5,189,162 |
| Group's interest | 1,000,521 | 1,016,245 |
| Goodwill | 107,763 | 107,763 |
| | 1,108,284 | 1,124,008 |

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Statements of profit or loss for the years ended December 31:** | | | |
| Revenue | 3,054,026 | 3,202,931 | 2,384,154 |
| **Net income from continued operations** | 119,710 | 349,881 | 340,907 |
| Share in results | 23,444 | 68,521 | 66,763 |

*Market capitalization:*

As of December 31, 2018 and 2017, total market capitalization of shares maintained by the Group in Cerro Verde was US$1,426.0 million and US$2,036.0 million, respectively (market capitalization value by each share of US$20.8 and US$29.70, 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:

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Statements of financial position as of December 31:** | | |
| Current assets | 99,887 | 101,668 |
| Non-current assets | 261,782 | 278,866 |
| Current liabilities | (39,204) | (44,411) |
| Non-current liabilities | (86,103) | (106,332) |
| **Shareholders' equity, reported** | 236,362 | 229,791 |
| Adjustments to conform to the accounting policies of the Group | (13,003) | (14,843) |
| **Shareholders' equity, adjusted** | 223,359 | 214,948 |
| Group's interest | 89,554 | 86,183 |

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Statements of profit or loss for the years ended December 31:** | | | |
| Revenue | 225,447 | 203,790 | 198,873 |
| **Net income from continued operations** | 25,584 | 50,787 | 56,856 |
| Adjustments to conform to the accounting policies | 1,837 | 2,265 | 1,790 |
| **Net income, adjusted** | 27,421 | 53,052 | 58,646 |
| Share in results | 10,994 | 21,271 | 23,514 |

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

(a) Below is presented the movement:

| | Balance as of January 1, 2017 US$(000) | Additions US$(000) | Disposals US$(000) | Sales US$(000) | Reclassifications and transfers US$(000) | Balance as of December 31, 2017 US$(000) | Additions US$(000) | Disposals US$(000) | Sales US$(000) | Reclassifications and transfers US$(000) | Balance as of December 31, 2018 US$(000) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Lands | 22,958 | - | - | - | (268) | 22,690 | 783 | (462) | - | (1,250) | 21,761 |
| Mining concessions | 198,009 | 2 | - | (15,000) | (31,138) | 151,873 | - | - | - | - | 151,873 |
| Development costs | 652,392 | 69,335 | - | (10,107) | 431 | 712,051 | 32,059 | (2,656) | - | 1,805 | 743,259 |
| Buildings, constructions and other | 1,109,167 | 835 | (387) | (28,751) | 198,387 | 1,279,251 | - | (2,837) | - | 66,207 | 1,342,621 |
| Machinery and equipment | 986,032 | 2,579 | (3,749) | (50,097) | (5,742) | 929,023 | - | (182) | (9,205) | 38,830 | 958,466 |
| Transportation units | 10,416 | 11 | (190) | (1,079) | 788 | 9,946 | 42 | (138) | (510) | 1,545 | 10,885 |
| Furniture and fixtures | 14,047 | 31 | (157) | (487) | 468 | 13,902 | - | - | (193) | (403) | 13,306 |
| Units in transit | 30,051 | 2,822 | - | - | (28,124) | 4,749 | 11 | - | - | (2,078) | 2,682 |
| Work in progress | 105,788 | 173,333 | - | (190) | (177,809) | 101,122 | 67,096 | (3,450) | - | (108,106) | 56,662 |
| Stripping activity asset (e) | 124,467 | 18,282 | (13,573) | - | 1,271 | 130,447 | 11,279 | - | - | - | 141,726 |
| Mine closure costs | 247,889 | 10,594 | - | (17,195) | - | 241,288 | 61,239 | - | - | (18,365) | 284,162 |
| | 3,501,216 | 277,824 | (18,056) | (122,906) | (41,736) | 3,596,342 | 172,509 | (9,725) | (9,908) | (21,815) | 3,727,403 |
| **Accumulated depreciation and amortization:** | | | | | | | | | | | |
| Lands | - | - | - | - | 1,249 | 1,249 | - | - | - | (1,249) | - |
| Mining concessions | 77,466 | 8 | - | (13,845) | (23,390) | 40,239 | 10 | - | - | - | 40,249 |
| Development costs | 241,636 | 30,886 | - | (7,910) | (1,490) | 263,122 | 35,433 | - | - | (2) | 298,553 |
| Buildings, construction and other | 455,678 | 73,314 | (115) | (28,208) | 6,168 | 506,837 | 84,244 | - | - | 562 | 591,643 |
| Machinery and equipment | 558,061 | 74,744 | (2,662) | (41,595) | (6,099) | 582,449 | 93,722 | (177) | (8,659) | (1,978) | 665,357 |
| Transportation units | 8,792 | 837 | (114) | (1,057) | (68) | 8,390 | 745 | (85) | (436) | (15) | 8,599 |
| Furniture and fixtures | 9,172 | 1,109 | (152) | (236) | (13) | 9,880 | 644 | - | (187) | (214) | 10,123 |
| Stripping activity asset | 18,729 | 16,343 | - | - | 6,623 | 41,695 | 28,820 | - | - | 3 | 70,518 |
| Mine closure costs | 141,275 | 25,254 | - | (8,408) | - | 158,121 | 10,350 | - | - | - | 168,471 |
| | 1,510,809 | 222,495 | (3,043) | (101,259) | (17,020) | 1,611,982 | 253,968 | (262) | (9,282) | (2,893) | 1,853,513 |
| **Provision for impairment of long-lived assets:** | | | | | | | | | | | |
| Mine closure costs | 10,990 | 17,916 | - | (8,785) | - | 20,121 | - | (5,693) | - | (1,221) | 13,207 |
| Development costs | 9,487 | 2,864 | - | (2,198) | - | 10,153 | - | - | - | - | 10,153 |
| Mining concessions, development costs, property, plant and other | 9,905 | 840 | - | (6,214) | - | 4,531 | - | (2,837) | - | 1,221 | 2,915 |
| | 30,382 | 21,620 | - | (17,197) | - | 34,805 | - | (8,530) | - | - | 26,275 |
| **Net cost** | 1,960,025 | | | | | 1,949,555 | | | | | 1,847,615 |

(b) Impairment of long-lived assets

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

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

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

During 2018, as a result of the derecognition of assets in Shila mining unit, the Company recorded a reversal in the provision for impairment for US$2.8 million. The provision was initially recorded in 2016.

During 2018, La Zanja recorded a reversal for the impairment provision for US$5,693,000 (as of December 31, 2017, the Company recorded a provision for US$21,620,000) 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 past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

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

| | **2019** | **2020-2023** |
|---|---|---|
| | US$ | US$ |
| Gold | 1,250 /Oz | 1,300 /Oz |
| Silver | 16 /Oz | 17 /Oz |
| Copper | 6,750 /MT | 7,000 /MT |
| Lead | 2,100 /MT | 2,100 /MT |

Discount rate: In calculating the value in use, pre-tax discount rates of 7.29%, 7.83%, and 13.32% were applied to the pre-tax cash flows of Buenaventura, La Zanja, and El Brocal, 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$337.3 million as of December 31, 2018 (US$522.0 million as of December 31, 2017) and is presented in various items of property, plant and equipment. During the year 2018 and 2017 no acquisitions of assets under lease agreements were made. Leased assets are pledged as security for the related finance lease liabilities.

(d) During 2018, no finance costs were capitalized. During 2017, US$5.8 million were capitalized and is presented under investing activities in the consolidated statements of cash flows, using an average rate of 4.19 percent.

(e) In mid-2016, a landslide occurred in the west wall of the Tajo Norte; consequently, it was decided not to mine this area due to stability and operational design issues. According to the distribution of reserves, this area (Phase 10) contained 5.5 MT of ore and 9.2 MT of waste valued at US$13,573,000, which were withdrawn from the reserves in the year 2017.

**12. Other assets, net**

(a) Below is presented the movement:

| | **Balance as of January 1, 2017** | **Additions** | **Balance as of December 31, 2017** | **Additions** | **Transfers** | **Balance as of December 31, 2018** |
|---|---|---|---|---|---|---|
| | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) |
| **Cost:** | | | | | | |
| Patents and industrial property (b) | 9,558 | 4,122 | 13,680 | 2,642 | (4,599) | 11,723 |
| Software licenses | 6,457 | 2,359 | 8,816 | 1,448 | (96) | 10,168 |
| Rights of use | 7,331 | 522 | 7,853 | 4,439 | - | 12,292 |
| | 23,346 | 7,003 | 30,349 | 8,529 | (4,695) | 34,183 |
| **Accumulated amortization:** | | | | | | |
| Software licenses | 1,995 | 383 | 2,378 | 596 | - | 2,974 |
| Rights of use | 3,632 | 1,578 | 5,210 | 738 | - | 5,948 |
| | 5,627 | 1,961 | 7,588 | 1,334 | - | 8,922 |
| **Net cost** | 17,719 | | 22,761 | | | 25,261 |

(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:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 96,215 | 55,000 | 285,302 |
| New loans | 95,000 | 341,215 | 200,500 |
| Disbursements | (95,000) | (300,000) | (442,957) |
| Sale of subsidiary | (1,215) | – | – |
| Exchange difference | – | – | 12,155 |
| **Final balance** | 95,000 | 96,215 | 55,000 |

As of December 31, 2018 and 2017, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 2.00% to 3.13% as of December 31, 2018 (1.15% to 6.85% as of December 31, 2017).

## 14. Trade and other payables

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade payables (b)** | | |
| Domestic suppliers | 154,998 | 194,742 |
| Related entities, note 30(b) | 36 | 15 |
| | 155,034 | 194,757 |
| **Other payables** | | |
| Remuneration and similar benefits payable | 10,531 | 11,585 |
| Taxes payable | 9,102 | 9,405 |
| Interest payable | 7,464 | 7,152 |
| Royalties payable to the Peruvian State | 2,171 | 4,571 |
| Dividends payable (c) | 663 | 730 |
| Related entities, note 30(b) | 20 | 62 |
| Other liabilities | 3,738 | 5,756 |
| | 33,689 | 39,261 |
| **Total trade and other payables** | 188,723 | 234,018 |
| **Classification by maturity:** | | |
| Current portion | 188,084 | 233,355 |
| Non-current portion | 639 | 663 |
| **Total trade and other payables** | 188,723 | 234,018 |
| **Classification by nature:** | | |
| Financial payables | 177,450 | 220,042 |
| Non-financial payables | 11,273 | 13,976 |
| **Total trade and other payables** | 188,723 | 234,018 |

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

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

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 730 | 1,018 | 1,044 |
| Declared dividends to controlling shareholders, note 17(d) | 22,860 | 22,099 | 7,621 |
| Dividends paid to controlling shareholders | (22,860) | (22,099) | (7,621) |
| Declared dividends to non-controlling shareholders | 5,560 | 6,036 | 7,400 |
| Dividends paid to non-controlling shareholders | (5,560) | (6,036) | (7,400) |
| Expired dividends | (44) | (327) | (30) |
| Other minor | (23) | 39 | 4 |
| **Final balance** | 663 | 730 | 1,018 |

## 15. Provisions and contingent liabilities

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Provision for closure of mining units and exploration projects (b) | 225,877 | 200,183 |
| Provision for bonus to employees and officers | 18,620 | 2,331 |
| Provision for obligations with communities (c) | 5,878 | 19,376 |
| Provision for safety contingencies | 4,877 | 3,898 |
| Provision for labor contingencies | 4,042 | 2,963 |
| Provision for environmental liabilities | 3,768 | 5,534 |
| Board of Directors' participation | 2,108 | 1,273 |
| Workers' profit sharing payable | 1,772 | 3,569 |
| Provision for environmental contingencies | 234 | 1,233 |
| Other provisions | 758 | 1,364 |
| | 267,934 | 241,724 |
| **Classification by maturity:** | | |
| Current portion | 68,172 | 76,847 |
| Non-current portion | 199,762 | 164,877 |
| | 267,934 | 241,724 |

(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:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| **Beginning balance** | 200,183 | 206,462 |
| Changes (additions and deductions) in estimates | | |
| Continuing mining units, note 11(a) | 42,874 | 10,594 |
| Discontinued mining units, note 1(e) | 6,013 | 12,701 |
| Exploration projects, note 26(a) | (2,433) | 891 |
| Accretion expense: | | |
| Continuing mining units, note 27(a) | 4,911 | 4,360 |
| Exploration projects, note 27(a) | 71 | 22 |
| Discontinued mining units, note 1(e) | 54 | 215 |
| Disbursements | (25,796) | (23,292) |
| Sale of mining units, note 1(e) | – | (11,770) |
| **Final balance** | 225,877 | 200,183 |
| **Classification by maturity:** | | |
| Current portion | 30,524 | 39,826 |
| Non-current portion | 195,353 | 160,357 |
| | 225,877 | 200,183 |

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 2019 and 2041. These estimates are based on studies prepared by independent advisers that meet the environmental regulations in effect.

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

As of December 31, 2018, the future value of the provision for closure of mining units and exploration projects 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 of 4.74 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, 2018, the Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US$119.7 million (US$109.6 million as of December 31, 2017) to secure current mine closure plans of its mining units and exploration projects up to date.

(c) The provisions for obligations with the communities decrease mainly due to the negotiations made by the Company in its operating units, which begin and were recorded in 2017.

## 16. Financial obligations

(a) This caption is made up as follow:

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Compañía de Minas Buenaventura S.A.A.(c)** | | |
| 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 | (3,618) | (2,425) |
| | 271,382 | 272,575 |
| **Sociedad Minera El Brocal S.A.A.** | | |
| Banco de Crédito del Perú – Finance leaseback | 94,490 | 119,464 |
| Debt issuance costs | (976) | (1,377) |
| | 93,514 | 118,087 |
| Mid-term financial obligation | 75,000 | 80,000 |
| | 168,514 | 198,087 |
| **Empresa de Generación Huanza S.A.** | | |
| Banco de Crédito del Perú – Finance lease | 147,166 | 162,411 |
| **Contacto Corredores de Seguros S.A.** | | |
| BBVA Banco Continental S.A. – Finance lease | – | 10 |
| **Total financial obligations** | 587,062 | 633,083 |
| **Classification by maturity:** | | |
| Current portion | 46,166 | 83,991 |
| Non-current portion (e) | 540,896 | 549,092 |
| **Total financial obligations** | 587,062 | 633,083 |

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

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

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

(i) Debt service coverage ratio: Higher than 4.
(ii) Leverage ratio: Less than 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 EBITDA of Empresa de Generación Huanza S.A. are excluded.

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

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% (3% as of December 31, 2017).
- Term: 4 years from April 2018, due in April 2022 (as of December 31, 2017, they were 5 years as of June 30, 2016, with final maturity on June 30, 2021).
- Amortization of credit: 5 semi-annual installments of US$55 million each since as of April 2020 (as of December 31, 2017 were 6 semi-annual installments of US$39,285,714 as of July 2018 and a final installment of US$39,285,716 in June of 2021).

The compliance of the terms described above is overseen by the Company´s Management. As of December 31, 2018 and 2017, the Company complies with the above financial ratios.

(c) Finance leaseback -

On June 9, 2015, the Board of Directors of El Brocal approved the modification of the debt and new payment schedule of the leaseback through sale contracts through the sale of assets with the same value including equipment, machinery and processing plant located in the Colquijirca mining unit. During 2017, El Brocal negotiate a reduction in the fixed rate of the finance leaseback, and agreed the modification of the payment schedule under the following terms and conditions:

- Principal: US$166,500,000.
- Annual interest rate: Nine-month Libor plus 2.75 percent.
- Term: 5.5 years since June 23, 2015, with final maturity in December 2021.
- Amortization: Through 22 quarterly variable installments.

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

(i) Debt service coverage ratio: Higher than 1.3.
(ii) Leverage ratio: Less than 1.0 times.
(iii) Debt ratio: Less than 2.0 times.

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

Mid-term loan contract –

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

As part of the commitments agreed, El Brocal must comply with the following financial indicators as of December 31, 2018 and 2017:

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

(d) On December 2, 2009, Empresa de Generación Huanza S.A. entered into a finance lease contract with Banco de Crédito del Perú. In the year 2017, Huanza negotiate 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. (Three-month Libor plus 4.60 percent as of December 31, 2017).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.

- Amortization: Through 26 quarterly variable installments and a final payment of US$44,191,000.

On June 30, 2014, Banco de Credito del Perú extended the finance lease contract above mentioned, through the addition of a new tranche. In the year 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. (Three-month Libor plus 4.70 percent as of December 31, 2017).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: Through an initial installment of US$18,373,000, 26 quarterly variable installments and a final installment of US$68,905,000.

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 greater than 1.1.
- Minimum Net Worth of US$30,000,000.

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

| | **2018** | **2017** |
|---|---|---|
| | US$(000) | US$(000) |
| Between 1 and 2 years | 219,515 | 125,215 |
| Between 2 and 5 years | 325,507 | 427,680 |
| | 545,022 | 552,895 |
| Debt issuance costs | (4,126) | (3,803) |
| | 540,896 | 549,092 |

(f) Below is presented the movement:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Beginning balance** | 633,083 | 592,342 | 353,710 |
| Accrual of debt issuance costs in results, note 27(a) | 1,024 | 909 | – |
| Payments | (45,222) | (32,599) | (33,476) |
| Increase in interest for debt restructuring | (2,207) | – | – |
| Exchange difference | 384 | (165) | 17 |
| New obligations | – | 80,000 | 275,210 |
| Accrual of debt issuance costs capitalized | – | 272 | (3,119) |
| Sale of asset under lease agreement | – | (7,196) | – |
| Increase of debt issuance costs, note 27(a) | – | (480) | – |
| **Final balance** | 587,062 | 633,083 | 592,342 |

## 17. Shareholders' equity, net

(a) Capital stock -

The Group's share capital is stated in Soles and consists of common shares with voting rights, with a nominal amount of S/10.00 per share. The table below presents the composition of the capital stock as of December 31, 2018 and 2017:

| | Number of shares | Capital stock | Capital stock |
|---|---|---|---|
| | | S/(000) | 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/53.60 per share as of December 31, 2018 (S/45.00 per share as of December 31, 2017). These shares present trading frequencies of 35 and 25 percent in the years 2018 and 2017, 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, 2018 and 2017:

| | Number of shares | Investment shares | Investment shares |
|---|---|---|---|
| | | S/(000) | 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/19.60 per share as of December 31, 2018 (S/22.10 per share as of December 31, 2017). These shares did not present a trading frequency in 2018 and 2017.

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

(c) Legal reserve -

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

Although, the balance of the legal reserve exceeded the limit mentioned above, the Group increased its legal reserve by US$44,000 in the year 2018 (US$327,000 and US$30,000 in the years 2017 and 2016, respectively) as a result of the expired dividends.

(d) Dividends declared and paid -

The table below presents the dividends declared and paid in 2018, 2017 and 2016:

| Meetings | Date | Dividends declared and paid | Dividend per share |
|---|---|---|---|
| | | US$(000) | US$ |
| **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 | 0.056 |
| Less - Dividends of treasury shares | | (1,232) | |
| | | 14,479 | |
| Board of Directors' Meeting | October 27 | 8,269 | 0.030 |
| Less - Dividends of treasury shares | | (649) | |
| | | 7,620 | |
| | | 22,099 | |
| **2016 Dividends** | | | |
| Board of Directors' Meeting | October 27 | 8,269 | 0.03 |
| Less - Dividends of treasury shares | | (648) | |
| | | 7,621 | |

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

Dividends declared by S.M.R.L. Chaupiloma Dos de Cajamarca corresponding to non-controlling interest were US$5,560,000, US$6,036,000 and US$7,400,000 for the years 2018, 2017 and 2016, 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:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Profit (loss) net (numerator) - US$ | (13,445,000) | 60,823,000 | (323,492,000) |
| 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) | 0.24 | (1.27) |

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Profit (loss) net (numerator) - US$ | (6,242,000) | 70,921,000 | (304,419,000) |
| Total common and investment shares (denominator) | 253,986,867 | 253,986,867 | 253,986,867 |
| Profit (loss) net per basic share and diluted - US$ | (0.02) | 0.28 | (1.20) |

The common and investment shares outstanding at the close of 2018, 2017 and 2016 were 253,986,867.

## 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 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | % | % | % |
| **Equity interest held by non-controlling interests:** | | | | |
| Sociedad Minera El Brocal S.A.A. | Peru | 38.57 | 38.57 | 38.67 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | Peru | 40.00 | 40.00 | 40.00 |
| Minera La Zanja S.R.L. | Peru | 46.94 | 46.94 | 46.94 |
| Apu Coropuna S.R.L. | Peru | 30.00 | 30.00 | 30.00 |

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Accumulated balances of material non-controlling interest:** | | | |
| Sociedad Minera El Brocal S.A.A. | 176,978 | 165,032 | 167,986 |
| Minera La Zanja S.R.L. | 42,295 | 48,642 | 55,613 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 1,800 | 1,693 | 1,906 |
| Apu Coropuna S.R.L. | 164 | 223 | 678 |
| Other minor | - | - | (61) |
| | 221,237 | 215,590 | 226,122 |
| **Profit (loss) allocated to material non-controlling interest:** | | | |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 5,667 | 5,827 | 6,950 |
| Sociedad Minera El Brocal S.A.A. | 2,880 | 4,246 | (13,426) |
| Minera La Zanja S.R.L. | (6,346) | (6,006) | 2,342 |
| Apu Coropuna S.R.L. | (410) | (454) | (157) |
| Other minor | - | (1) | (31) |
| | 1,791 | 3,612 | (4,322) |

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

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

Statements of financial position as of December 31, 2018:

| | **Sociedad Minera El Brocal S.A.A.** US$(000) | **Minera La Zanja S.R.L.** US$(000) | **S.M.R.L. Chaupiloma Dos de Cajamarca** US$(000) | **Apu Coropuna S.R.L.** US$(000) | **Other minor** 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) | – | (740) | – |
| **Total shareholders' equity, net** | 432,819 | 90,104 | 4,501 | 540 | – |
| Attributable to: | | | | | |
| Shareholders of the Group | 255,841 | 47,808 | 2,701 | 377 | – |
| Non-controlling interests | 176,978 | 42,295 | 1,800 | 164 | – |
| | 432,819 | 90,104 | 4,501 | 540 | – |

Statements of financial position as of December 31, 2017:

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

Statements of profit or loss for the years 2018, 2017 and 2016:

| | **Sociedad Minera El Brocal S.A.A.** US$(000) | **Minera La Zanja S.R.L.** US$(000) | **S.M.R.L. Chaupiloma Dos de Cajamarca** US$(000) | **Apu Coropuna S.R.L.** US$(000) | **Other minor** US$(000) |
|---|---|---|---|---|---|
| **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) |
| **Year 2016 -** | | | | | |
| Revenues | 230,611 | 178,922 | 24,339 | - | - |
| Net profit (loss) | (32,782) | 4,865 | 17,366 | (523) | (410) |
| Attributable to non-controlling interests | (13,426) | 2,342 | 6,950 | (157) | (31) |

Statements of cash flow for the years 2018, 2017 and 2016:

| | Sociedad Minera El Brocal S.A.A. US$(000) | Minera La Zanja S.R.L. US$(000) | S.M.R.L. Chaupiloma Dos de Cajamarca US$(000) | Apu Coropuna S.R.L. US$(000) |
|---|---|---|---|---|
| **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) |
| **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 |
| **Year 2016 -** | | | | |
| Operating activities | (9,151) | 11,839 | 18,178 | (1,895) |
| Investing activities | (37,935) | (14,994) | - | - |
| Financing activities | 48,021 | - | (18,500) | 2,717 |
| | 935 | (3,155) | (322) | 822 |

## 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, 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.

The main tax regulations issued during 2018 are the following:

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

- 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.

In July 2018, Law 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) 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.

(ii) 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. | 2015-2018 |
| Compañía Minera Condesa S.A. | 2014-2018 |
| Compañía Minera Colquirrumi S.A. | 2014-2018 |
| Consorcio Energético de Huancavelica S.A. | 2014-2018 |
| Contacto Corredores de Seguros S.A. | 2014-2018 |
| El Molle Verde S.A.C. | 2014-2018 |
| Empresa de Generación Huanza S.A. | 2015-2018 |
| Inversiones Colquijirca S.A. | 2014-2018 |
| Minera La Zanja S.R.L. | 2014,2016-2018 |
| Sociedad Minera El Brocal S.A.A. | 2014-2018 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 2014-2018 |
| Procesadora Industrial Río Seco S. A. | 2014-2018 |
| Apu Coropuna S.R.L. | 2014-2018 |
| Cerro Hablador S. A. C. | 2014-2018 |
| Minera Azola S. R. L. | 2014-2018 |

As of the date of issuance of this report, Compañía de Minas Buenaventura S.A.A. is been audited by the Tax Administration for the income tax of the year 2013 and the VAT for the period January to December 2014, and the subsidiary El Brocal is been audited for the year 2015.

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether or not any of the tax audits will result in increased liabilities for the Group. For that reason, any tax or surcharge that could arise from future tax audits would be applied to the income of the period in which it is determined. In management's opinion and its legal advisors, any possible additional payment of taxes in the entities mentioned before would not have a material effect on the consolidated financial statements as of December 31, 2018 and 2017.

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

(c) Tax-loss carryforwards -

As of December 2018 and 2017, the tax-loss carryforward determined by the Group amounts to approximately S/1,550,156,000 and S/1,346,118,000, respectively (equivalent to US$458,762,000 and US$398,378,000 respectively). As permitted by the Income Tax Law, the Group has chosen a system that permits to offset these losses with an annual cap equivalent to 50 percent of net future taxable income.

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

(d) Transfer pricing -

For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Group's operations. The Group’s Management and its legal advisers believe that, as a result of the application of these standards, no material contingencies will arise for the Group as of December 2018 and 2017.

**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:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Revenues by geographic region:** | | | |
| **Metal and concentrates sales -** | | | |
| Peru | 537,816 | 551,243 | 396,733 |
| America | 370,624 | 471,863 | 397,795 |
| Asia | 120,519 | 120,719 | 97,467 |
| Europe | 100,792 | 81,333 | 121,929 |
| | 1,129,751 | 1,225,158 | 1,013,924 |
| **Services -** | | | |
| Peru | 23,712 | 14,903 | 28,782 |
| America | 289 | 14,794 | – |
| | 24,001 | 29,697 | 28,782 |
| **Royalties -** | | | |
| Peru | 20,385 | 20,739 | 24,339 |
| | 1,174,137 | 1,275,594 | 1,067,045 |

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Revenues by type of good or services:** | | | |
| **Sales by metal -** | | | |
| Gold | 411,926 | 511,434 | 440,603 |
| Silver | 369,167 | 409,775 | 385,989 |
| Copper | 274,761 | 268,527 | 224,649 |
| Zinc | 174,048 | 188,023 | 142,425 |
| Lead | 89,059 | 94,955 | 58,690 |
| Manganese sulfate | 6,655 | 6,317 | 5,982 |
| Indium | – | 66 | – |
| | 1,325,616 | 1,479,097 | 1,258,338 |
| Commercial deductions | (195,865) | (253,939) | (244,414) |
| | 1,129,751 | 1,225,158 | 1,013,924 |
| **Sales by services -** | 24,001 | 29,697 | 28,782 |
| **Royalties income -** | 20,385 | 20,739 | 24,339 |
| **Total revenue from contracts with customers** | 1,174,137 | 1,275,594 | 1,067,045 |
| **Revenues by timing of revenue recognition:** | | | |
| Goods transferred at a point in time | 1,129,751 | 1,225,158 | 1,013,924 |
| Services transferred over time | 24,001 | 29,697 | 28,782 |
| Royalties at a point of time | 20,385 | 20,739 | 24,339 |
| | 1,174,137 | 1,275,594 | 1,067,045 |

(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:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| Contracts with customers for sale of goods | 1,129,751 | 1,225,158 | 1,013,924 |
| Adjustments to prior period liquidations | 857 | 919 | 4,611 |
| Fair value of accounts receivables | (6,215) | 8,786 | 880 |
| Hedge operations | (1,398) | (10,921) | (3,745) |
| **Net sale of goods** | 1,122,995 | 1,223,942 | 1,015,670 |
| Contracts with customers for sale of services | 24,001 | 29,697 | 28,782 |
| **Net sale of services** | 24,001 | 29,697 | 28,782 |
| Contracts with customers for royalty income | 20,385 | 20,739 | 24,339 |
| **Royalty income** | 20,385 | 20,739 | 24,339 |
| | 1,167,381 | 1,274,378 | 1,068,791 |

(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 2018, the three customers with sales of more than 10 percent of total net sales represented 32, 13 and 11 percent from the total net sales of the Group (three customers by 28, 15 and 10 percent during 2017; three customers by 28, 22 and 22 percent during 2016). As of December 31, 2018, 43 percent of the accounts receivable correspond to these customers (49 percent as of December 31, 2017). These customers are related to the mining business.

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

## 21. Cost of sales, without considering depreciation and amortization

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Beginning balance of finished goods and products in process, net of depreciation and amortization** | 37,640 | 58,633 | 69,932 |
| **Cost of production** | | | |
| Services provided by third parties | 245,705 | 262,195 | 211,325 |
| Consumption of materials and supplies | 136,991 | 134,070 | 100,401 |
| Direct labor | 96,612 | 87,886 | 72,344 |
| Electricity and water | 51,226 | 44,345 | 41,989 |
| Transport | 24,805 | 16,254 | 10,880 |
| Maintenance and repair | 24,459 | 22,839 | 17,792 |
| Rentals | 31,156 | 26,591 | 10,852 |
| Insurances | 11,550 | 6,637 | 4,347 |
| Provision (reversal) for impairment of finished goods and product in progress, note 8(c) | 4,521 | 2,118 | (7,581) |
| Cost of concentrate purchased to third parties | - | 439 | 2,958 |
| Other production expenses | 10,025 | 10,464 | 9,789 |
| **Total cost of production of the period** | 637,050 | 613,838 | 475,096 |
| **Final balance of products in process and finished goods, net of depreciation and amortization** | (49,206) | (45,038) | (47,216) |
| **Cost of sales of goods, without considering depreciation and amortization** | 625,484 | 627,433 | 497,812 |

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| Direct labor | 2,128 | 7,398 | 5,983 |
| Consumption of materials and supplies | 675 | 1,026 | 868 |
| Maintenance and repair | 543 | 946 | 217 |
| Services provided by third parties | 382 | 1,782 | 1,689 |
| Electricity and water | 249 | 586 | 633 |
| Rentals | 92 | 423 | 480 |
| Insurances | 86 | 246 | 212 |
| Transport | 50 | 98 | 213 |
| Other | 113 | 449 | 459 |
| | 4,318 | 12,954 | 10,754 |

## 22. Exploration in operating units

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance of finished goods and products in process, net of depreciation and amortization** | 5,157 | 5,309 | 3,106 |
| **Exploration in operating units** | | | |
| Services provided by third parties | 71,927 | 79,837 | 81,464 |
| Consumption of materials and supplies | 8,605 | 8,236 | 12,685 |
| Direct labor | 2,446 | 2,373 | 1,974 |
| Rentals | 2,072 | 1,527 | 1,608 |
| Electricity and water | 1,524 | 1,328 | 21 |
| Maintenance and repair | 450 | 100 | 62 |
| Transport | 192 | 587 | 317 |
| Depreciation and amortization | 23 | – | – |
| Other | 784 | 109 | 379 |
| **Total exploration in operating units** | 88,023 | 94,097 | 98,510 |
| **Final balance of products in process and finished goods, net of depreciation and amortization** | (2,837) | (4,478) | (5,467) |
| **Exploration in operating units** | 90,343 | 94,928 | 96,149 |

## 23. Mining royalties

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Sindicato minero de Orcopampa S.A., note 29(b) | 12,122 | 20,165 | 19,824 |
| Royalties paid to the Peruvian State | 9,404 | 11,052 | 7,787 |
| | 21,526 | 31,217 | 27,611 |

## 24. Administrative expenses

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Personnel expenses | 34,656 | 36,265 | 29,617 |
| Professional fees | 15,324 | 12,663 | 11,696 |
| Sundry charges | 7,450 | 10,375 | 15,295 |
| Rentals | 5,818 | 5,412 | 4,870 |
| Board of Directors' participation | 3,252 | 1,422 | 1,140 |
| Maintenance and repairs | 2,732 | 2,657 | 1,076 |
| Subscriptions and quotes | 1,938 | 1,428 | 697 |
| Donations | 1,617 | 3,006 | 4,280 |
| Communications | 1,512 | 1,376 | 1,557 |
| Depreciation and amortization | 1,295 | 1,146 | 254 |
| Transport | 1,212 | 989 | 310 |
| Insurance | 645 | 3,911 | 3,023 |
| Travel and mobility | 467 | 1,053 | 914 |
| Consumption of materials and supplies | 436 | 616 | 416 |
| Canons and tributes | 388 | 602 | 1,460 |
| Allowance for expected credit losses, note 7(f) | 18 | 676 | 5,087 |
| | 78,760 | 83,597 | 81,692 |

## 25. Exploration in non-operating areas

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Services provided by third parties | 22,764 | 5,401 | 13,629 |
| Personnel expenses | 4,830 | 4,064 | 3,908 |
| Lands | 1,867 | 1,781 | – |
| Rentals | 1,524 | 1,171 | 578 |
| Consumption of materials and supplies | 1,420 | 582 | 768 |
| Other expenses | 3,902 | 5,263 | 7,706 |
| | 36,307 | 18,262 | 26,589 |

## 26. Other, net

(a) This caption is made up as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Other income** | | | |
| Insurance claim recovery, note 7(g) | 33,735 | 1,190 | 2,936 |
| Sale of supplies and merchandise to third parties | 46,136 | 54,505 | 50,973 |
| Sale of investment in subsidiary, note 1(d) | 7,097 | – | – |
| Changes in provisions for exploration projects, note 15(b) | 2,433 | – | – |
| Sale of assets to third parties | 3,863 | 369 | 21,730 |
| Sale of services to third parties | 3,512 | 2,566 | 1,840 |
| Income from previous years | 1,517 | 2,737 | 1,086 |
| Recovery of expenses from previous years | 81 | 68 | 3,171 |
| Income from rental of investment properties | 45 | 235 | 1,821 |
| Expiration of allowance for expected credit losses, note 7(f) | 45 | 99 | – |
| Sale of assets to related parties, note 30(a) | 30 | 336 | – |
| Sale of supplies related parties, note 30(a) | 27 | 4 | 1 |
| Sale of investment properties (b) | – | 11,250 | – |
| Recovery of provision for depreciation of supplies, note 8(c) | – | – | 110 |
| Other minor income | 4,099 | 14,469 | 11,639 |
| | 102,620 | 87,828 | 95,307 |
| **Other expenses** | | | |
| Consumption of spare parts and supplies | (57,897) | (60,242) | (49,890) |
| Net cost of transfer of investments, note 1(d) | (11,178) | (1,706) | – |
| Direct expenses | (11,000) | (5,998) | (4,350) |
| Provision for loss of value of supplies, note 8(c) | (7,039) | (2,444) | – |
| Withdrawals and disposals of property, machinery and equipment, note 11(a) | (6,626) | (15,013) | (1,635) |
| Allowance for expected credit losses, note 7(f) | (1,334) | – | – |
| Net cost of property, machinery and equipment to third parties | (626) | – | (2,131) |
| Net cost of investment properties (b) | – | (9,575) | – |
| Changes in provision for exploration projects, note 15(b) | – | (891) | – |
| Other minor expenses | (11,932) | (5,548) | (18,344) |
| | (107,632) | (101,417) | (76,350) |
| | (5,012) | (13,589) | 18,957 |

(b) During 2017 the subsidiary Buenaventura Ingenieros S.A. (hereinafter "BISA") sold to a third party its investment properties located in the El Derby Capital Building, district of Surco.

## 27. Finance costs and finance revenues

(a) Finance costs and finance revenues:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Finance revenues:** | | | |
| Interest on time deposits | 5,176 | 1,050 | 358 |
| Interests on tax claims | 1,701 | 153 | 487 |
| Interests on third parties loans | 561 | 813 | 489 |
| Interests on loans to associates, note 30(a) | 92 | 1,685 | 4,164 |
| Dividends income | - | - | 589 |
| Income from financial instruments | - | - | 743 |
| Other finance revenues | 341 | 43 | - |
| | 7,871 | 3,744 | 6,830 |
| Unrealized variation of the fair value related to contingent consideration liability (b) | 1,815 | 1,773 | - |
| **Total finance revenues** | 9,686 | 5,517 | 6,830 |
| **Finance costs:** | | | |
| Interest on borrowings | 31,538 | 27,052 | 18,668 |
| Banking expenses | 729 | 552 | 319 |
| Tax on financial transactions | 173 | 180 | 159 |
| Interest on loans | 2 | 1,056 | 4,643 |
| Increase in debt issuance costs, note 16(f) | - | 480 | - |
| Interest on commercial obligations | - | 5 | 496 |
| Other finance costs | 8 | 7 | 830 |
| | 32,450 | 29,332 | 25,115 |
| Accrual of the present value for mine closure, note 15(b) | 4,982 | 4,382 | 4,116 |
| Accrual of debt issuance costs, note 16(f) | 1,024 | 909 | - |
| Unrealized variation of the fair value related to contingent consideration liability (b) | - | - | 2,349 |
| **Total finance costs** | 38,456 | 34,623 | 31,580 |

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 Company 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 has been determined using the income approach.

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

As of December 31, 2018, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2018 reflects this assumption and changes in metal prices.

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

| | **2018** | **2017** | **2016** |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Beginning balance** | 17,570 | 19,343 | 16,994 |
| Variation of the fair value in results, note 27(a) | (1,815) | (1,773) | 2,349 |
| **Final balance** | 15,755 | 17,570 | 19,343 |

Significant unobservable valuation inputs are provided below:

| | **2018** | **2017** |
|---|---|---|
| Annual average of future sales of mineral (US$000) | 196,801 | 193,588 |
| Useful life of mining properties | 13 | 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, 2017 | Credit (debit) to the Consolidated statement of profit or loss | Credit (debit) to consolidated statements of other comprehensive | As of December 31, 2017 | Credit (debit) to the Consolidated statement of profit or loss | Credit (debit) to consolidated statements of other comprehensive | Others movements | As of December 31, 2018 |
|---|---|---|---|---|---|---|---|---|
| | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) | US$(000) |
| **Deferred asset for income tax included in results** | | | | | | | | |
| Tax - loss carryforward | 93,050 | 1,889 | – | 94,939 | 11,680 | – | (396) | 106,223 |
| Difference in depreciation and amortization rates | 60,883 | 734 | – | 61,617 | 6,497 | – | – | 68,114 |
| Provision for closure of mining units, net | 39,538 | 5,030 | – | 44,568 | 3,291 | – | – | 47,859 |
| Impairment loss of long-lived assets | 7,592 | 2,328 | – | 9,920 | (2,448) | – | – | 7,472 |
| Other minor | 14,650 | 809 | – | 15,459 | 5,369 | – | (147) | 20,681 |
| | 215,713 | 10,790 | – | 226,503 | 24,389 | – | (543) | 250,349 |
| Less - Allowance for deferred asset | (37,012) | (1,898) | – | (38,910) | (2,038) | – | – | (40,948) |
| | 178,701 | 8,892 | – | 187,593 | 22,351 | – | (543) | 209,401 |
| **Deferred asset included in retained earnings** | | | | | | | | |
| Derivative financial instruments | 1,140 | – | 7,963 | 9,103 | – | (9,103) | – | – |
| | 179,841 | 8,892 | 7,963 | 196,696 | 22,351 | (9,103) | (543) | 209,401 |
| **Deferred assets for mining royalties and special mining tax included in results** | | | | | | | | |
| Other minors | 43 | 80 | – | 123 | (87) | – | – | 36 |
| | 43 | 80 | – | 123 | (87) | – | – | 36 |
| **Total deferred asset** | 179,884 | 8,972 | 7,963 | 196,819 | 22,264 | (9,103) | (543) | 209,437 |
| **Deferred liability for income tax included in results** | | | | | | | | |
| Differences in amortization rates for development costs | (51,788) | 6,095 | – | (45,693) | (20,295) | – | – | (65,988) |
| Effect of translation into U.S. dollars | (70,525) | 24,502 | – | (46,023) | (15,248) | – | – | (61,271) |
| Other minors | (43,985) | (33,618) | – | (77,603) | 3,123 | – | – | (74,480) |
| | (166,298) | (3,021) | – | (169,319) | (32,420) | – | – | (201,739) |
| **Deferred liability for mining royalties and special mining tax included in results** | | | | | | | | |
| Derivative financial instruments | – | – | – | – | – | (813) | – | (813) |
| | – | – | – | – | – | (813) | – | (813) |
| **Deferred assets for mining royalties and special mining tax** | | | | | | | | |
| Other minors | (35) | (126) | – | (161) | 159 | – | – | (2) |
| | (35) | (126) | – | (161) | 159 | – | – | (2) |
| **Total deferred liability** | (166,333) | (3,147) | – | (169,480) | (32,261) | (813) | – | (202,554) |
| **Deferred income tax asset, net** | 13,551 | 5,825 | 7,963 | 27,339 | (9,997) | (9,916) | (543) | 6,883 |

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

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| Deferred income tax asset, net | 38,305 | 43,129 |
| Deferred income tax liability, net | (31,422) | (15,790) |
| | 6,883 | 27,339 |

(c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2018, 2017 and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Income tax expense** | | | |
| Current | 12,433 | 18,781 | 32,902 |
| Deferred | 10,069 | (5,984) | 13,808 |
| | 22,502 | 12,797 | 46,710 |
| **Mining Royalties and Special Mining Tax** | | | |
| Current | 4,495 | 5,056 | 6,542 |
| Deferred | (72) | 159 | 252 |
| | 4,424 | 5,215 | 6,794 |
| **Total income tax** | 26,926 | 18,012 | 53,504 |

(d) Below is a reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate for the years 2018, 2017 and 2016:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| | US$(000) | US$(000) | US$(000) |
| **Profit (loss) before income tax** | 22,475 | 92,545 | (255,327) |
| Loss for discontinued operations | (7,203) | (10,098) | (19,073) |
| **Profit (loss) before income tax** | 15,272 | 82,447 | (274,400) |
| Theoretical loss (gain) for income tax | 4,505 | 24,322 | (76,807) |
| **Permanent items and others:** | | | |
| Effect of translation into U.S. dollars | 15,248 | (24,502) | (3,012) |
| Permanent items | 3,492 | 16,513 | 6,577 |
| Allowance of deferred tax asset | 2,038 | 1,898 | 18,846 |
| Share in the results of associates | 337 | (3,896) | 102,290 |
| Mining royalties and special mining tax | (3,118) | (1,538) | 247 |
| Effect of change in income tax rate net | - | - | (1,431) |
| **Income tax expense** | 22,502 | 12,797 | 46,710 |
| **Mining Royalties and Special Mining Tax** | 4,424 | 5,215 | 6,794 |
| | 26,926 | 18,012 | 53,504 |

(e) Related to the investment in associates, the Group has not recognized a deferred income tax asset by US$277.0 million as of December 31, 2018, originated by the difference between the financial and taxable basis of these investments (US$257.3 million as of December 31, 2017). 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).

## 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. See note 23.

(c) Letter of guarantee granted by Buenaventura -

*Letter of guarantee - Huanza*

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

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

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

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

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| Within one year | 1,543 | 1,543 |
| After one year but not more than five years | 5,787 | 6,173 |
| More than five years | – | 1,157 |
| | 7,330 | 8,873 |

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

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Minimum payments** | **Present value of payments** | **Minimum payments** | **Present value of payments** |
| | US$(000) | US$(000) | US$(000) | US$(000) |
| Within a year | 53,607 | 41,634 | 56,915 | 40,224 |
| After one year but not more than five years | 210,252 | 200,019 | 267,962 | 241,652 |
| Total minimum lease payments | 263,859 | 241,653 | 324,877 | 281,876 |
| Less - amounts representing finance charges | (22,206) | – | (43,002) | – |
| **Present value of minimum lease payments** | 241,653 | 241,653 | 281,876 | 281,876 |

Contingencies

(f) Legal procedures -

*Buenaventura -*

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

The possible contingencies amount to US$2.9 million and US$1.1 million as of December 31, 2018 and 2017, 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.

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. In 2011, 2012, 2013, 2015, 2016, 2017 and 2018, 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 2018 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 40,300 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.

(g) Open tax procedures –

*Buenaventura –*

- During 2012 and 2014, SUNAT reviewed the income tax for 2007 and 2008. As a result, SUNAT does not recognize tax declared deductions by S/1,056,310,000 (equivalent to US$312,610,000) in the year 2007 and S/1,530,985,000 (equivalent to US$453,088,000) 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, 2018, the total possible contingencies related to these audits amount to S/1,436 million (equivalent to US$425 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$22,499,000). 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/58,307,000 (equivalent to US$17,256,000) 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, 2018, the total possible contingencies related to these audits amount to S/621 million (equivalent to US$184 million).

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.

- 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$28,085,000). The main repairs are related to the non-deductibility of bonus paid to contractors, the ignorance of 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.

*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$2,466,000) so it can have access to a discount benefit of the fine. This payment is recorded as an account receivable.

- On January 8, 2015, SUNAT notified to the subsidiary El Brocal a tax assessment for the 2012 income tax, which was claimed by the subsidiary and rejected by SUNAT. In addition, SUNAT notified a tax assessment for income tax pre-payments from January to December 2012, which amounts to S/4,030,000 (equivalent to US$1,193,000). El Brocal has filed an appeal to the Tax Court, which is pending resolution.

The possible contingencies held by El Brocal amount to S/7,641,000 (equivalent to US$2,261,000) as of December 31, 2018.

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

*Minera La Zanja S.R.L. -*

During the years 2016, 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/2,692,000 (equivalent to US$797,000) as of December 31, 2018 (S/9,344,000 equivalent to US$2,765,000 as of December 31, 2017). In Management´s opinion and its legal advisors, this interpretation is not supported and the subsidiary would obtain a favorable result in the claim process that has started.

*Empresa de Generación Huanza S.A. -*

During 2015, SUNAT audited the 2014 income tax of the subsidiary Empresa de Generación Huanza S.A. (Huanza). As a consequence, a portion of the depreciation of its fixed assets is not recognized for S/27,532,000 (equivalent to US$8,148,000). The possible contingency amounts to S/6,396,000 (equivalent to US$1,893,000) as of December 31, 2018 (S/5,790,000 equivalent to US$1,714,000 as of December 31, 2017). 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.

*Other subsidiaries -*

In addition, SUNAT has issued tax assessments as a result of the audit of income taxes of other subsidiaries for S/16,768,000 (equivalent to US$4,963,000). 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.

Since 2014, based on the decision of Peruvian Tax Tribunal, Cerro Verde has been paying the disputed assessments for the period from December 2006 to December 2008, under an installment program of 66 equal monthly payments. As of December 31, 2018, Cerro Verde has paid under the installment program S/596.8 million (approximately US$187.7 million at the year-end exchange rate as of the payment date and US$176.6 million at the year-end exchange rate as of December 31, 2018).

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 totaling S/928.9 million (approximately US$274.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$165.7 million) 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, 2018 is for S/947.2 million (approximately US$280.3 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$171.1 million). The payments of these installment program will begin in the second quarter of 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. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties of the fourth quarter of the year 2011 is S/53.7 million (approximately US$15.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$8.7 million). On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011 to fourth quarter of the year 2012. On February 15, 2018, Cerro Verde filed a complaint with the SUNAT against the resolutions, SUNAT denied it. On November 21, 2018 Cerro Verde appealed the resolution of SUNAT against the Peruvian Tax Tribunal. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties amounts to S/234.0 million (approximately US$69.3 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$33.3 million).

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 is evaluating the steps to be followed. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties for the year 2012 is S/240.9 million (approximately US$71.3. million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$37.4 million).

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. As of December 31, 2018, the amount of assessments including interests and penalties amounts to S/303.8 million (approximately US$89.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$41.4 million).

For the year ended December 31, 2018, Cerro Verde recorded in the statement of profit and loss charges related to interests and penalties of fiscal assessments of royalties for the period from January 2009 to December 2013 for a total amount of US$408.9 million. For the year ended December 31, 2017, Cerro Verde recorded in the statement of profit and loss net charges for the total amount of US$393 million related to fiscal assessments of royalties for the period from December 2006 to December 2013.

In December of 2017, as a result of the unfavorable decision of the Supreme Court on the case of mining royalties in 2008, Cerro Verde requested the return of the amounts that it would have paid in excess for the Special Mining Tax (GEM) (October 2012 to December 2013), National Housing Fund (FONAVI) (December 2012 to December 2013) and customs duties (2013). In December of 2018 SUNAT returned the excess payments by GEM for the periods requested for S/254.7 million (US$76.1 million based on the collection date and includes US$18.6 million of interests).

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 | 12,220 | 46,710 | 58,930 |
| 2006 | 10,990 | 51,938 | 62,928 |
| 2007 | 12,376 | 17,845 | 30,221 |
| 2008 | 20,797 | 12,968 | 33,765 |
| 2009 | 56,388 | 51,219 | 107,607 |
| 2010 | 62,581 | 105,225 | 167,806 |
| 2011 | 49,055 | 65,068 | 114,123 |
| 2014 - 2018 | 32,148 | - | 32,148 |
| | 256,555 | 350,973 | 607,528 |

As of December 31, 2018, Cerro Verde has paid US$385.7 million from which Cerro Verde considers that US$183.2 million 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.

The Tax Administration considers that the bonus for closing the collective agreement and the collateral benefits granted to the unionized and non-unionized employees qualify as remunerative concepts; hence, taxed with the contribution to ESSALUD. The contingency amounts to S/12 million (US$3.5 million) for the years 2011 and 2012. In Yanacocha Management's and its legal counsel’s opinion, that interpretation has no support and Yanacocha should obtain a favorable outcome in tax court appeal initiated against the tax authorities.

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 22 Yanacocha was notified by the Peru Supreme Court that the number of votes that the law requires for approving a resolution (4 votes) has not been reached (2 for Yanacocha's position and 3 for SUNAT's position), a sixth Justice of the Supreme Court has been designated to issue an additional vote and a new oral hearing has been scheduled for April 2019. The potential liability in this matter is in the form of fines and interest in an amount up to US$84 million. While Yanacocha has assessed that the likelihood of a ruling against Yanacocha in the Supreme Court as remote under a legal perspective, there is a problem in understanding the real nature of the assignment of contractual position agreement that generates that the contingency, in the face of the new evidence, would became possible. Thus, it is not possible to fully predict the outcome of this litigation.

## 30. Transactions with associates companies

(a) The Group has carried out the following transactions with its associates in the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Revenues from:** | | | |
| Royalties | 20,385 | 20,739 | 24,339 |
| **Revenues from sale of:** | | | |
| Energy | 3,002 | 2,137 | 1,679 |
| Mineral | 1,321 | 1,414 | 1,271 |
| Mining concessions, property, plant and equipment | 30 | 336 | - |
| Supplies | 27 | 4 | 1 |
| **Purchase of:** | | | |
| Supplies | 44 | 27 | 21 |
| **Services rendered to:** | | | |
| Services of energy transmission | 393 | 559 | - |
| Engineering services | 348 | 1,119 | 1,001 |
| Operation and maintenance services | 290 | 593 | 1,247 |
| Administrative and Management services | 214 | 149 | 200 |
| Constructions services | - | 1,332 | 1,152 |
| **Dividends received and collected from:** | | | |
| Sociedad Minera Cerro Verde S.A.A. | 39,169 | - | - |
| Compañía Minera Coimolache S.A. | 7,623 | 9,823 | 11,390 |
| Minera Yanacocha S.R.L. | - | - | 130,950 |
| **Loans collected to:** | | | |
| Sociedad Minera Cerro Verde S.A.A. | - | 124,800 | - |
| **Interest income:** | | | |
| Transportadora Callao S.A. | 92 | - | - |
| Sociedad Minera Cerro Verde S.A.A. | - | 1,685 | 4,161 |
| Compañía Minera Coimolache S.A. | - | - | 3 |
| **Dividends paid to non-controlling shareholders:** | | | |
| Newmont Peru Limited - Sucursal del Perú | 5,560 | 6,036 | 7,400 |

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

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade and other receivables** | | |
| Minera Yanacocha S.R.L. | 6,791 | 6,740 |
| Compañía Minera Coimolache S.A. | 386 | 592 |
| Sociedad Minera Cerro Verde S.A.A. | - | 16 |
| | 7,177 | 7,348 |
| **Other receivables** | | |
| Transportadora Callao S.A. (e) | 2,471 | - |
| Compañía Minera Coimolache S.A. | 1,234 | 732 |
| | 3,705 | 732 |
| | 10,882 | 8,080 |
| **Trade and other payables** | | |
| Compañía Minera Coimolache S.A. | 36 | 15 |
| **Other payables** | | |
| Compañía Minera Coimolache S.A. | - | 42 |
| Other | 20 | 20 |
| | 20 | 62 |
| | 56 | 77 |

(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, 2018 and 2017, loans to employees, directors and key personnel amounts to US$19,000 and US$47,000, 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 2018 and 2017 are presented below:

| | 2018 | 2017 |
|---|---|---|
| | US$(000) | US$(000) |
| **Accounts payable:** | | |
| Directors' remuneration | 2,192 | 1,641 |
| Salaries | 1,057 | 1,257 |
| Directors' compensations | 2,628 | 1,200 |
| Provision for bonus to officers | 6,345 | 1,899 |
| **Total** | 12,222 | 5,997 |
| **Disbursements:** | | |
| Salaries | 12,908 | 10,530 |

(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, whose objective was the construction of a fixed conveyor belt of minerals and deposits in the Port of Callao. 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
- Exploration and development activities
- 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 CODM monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group's consolidated financial statements. Also, the Group's financing and income taxes are managed at the corporate level and are not allocated to the operating segments, except for those entities which are managed independently.

Corporate information mainly includes the following:

In segment information of profit and loss -

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

*In the segment information of assets and liabilities -*

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

Adjustments and eliminations mainly include the following:

*In segment information of consolidated statements of profit and loss* –

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

*In the segment information of assets and liabilities* –

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

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

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

All non-current assets are located in Peru.

| | Uchucchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(000) | Tambomayo (Operation) US$(000) | Colquijirca (Operation) US$(000) | La Zanja (Operation) US$(000) | Exploration and development mining projects US$(000) | 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 2018** | | | | | | | | | | | | | | | | | | | | |
| **Results:** | | | | | | | | | | | | | | | | | | | | |
| **Continuing operations** | | | | | | | | | | | | | | | | | | | | |
| **Operating income:** | | | | | | | | | | | | | | | | | | | | |
| Net sale of goods | 257,282 | 153,003 | 34,104 | 16,666 | 225,281 | 333,560 | 96,611 | – | – | – | – | – | 6,655 | – | 635,393 | 3,054,026 | 225,447 | 5,038,028 | (3,915,033) | 1,122,995 |
| 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 | 16,666 | 225,281 | 333,560 | 96,611 | – | 62,962 | 14,986 | 20,385 | 615 | 26,563 | – | 657,358 | 3,054,026 | 225,447 | 5,178,849 | (4,011,468) | 1,167,381 |
| **Operating costs** | | | | | | | | | | | | | | | | | | | | |
| Cost of sales of goods, excluding depreciation and amortization | (151,817) | (97,006) | (26,558) | (12,103) | (92,829) | (216,560) | (68,993) | – | – | – | – | – | (6,280) | – | (596,164) | (2,216,663) | (170,866) | (3,655,839) | 3,030,355 | (625,484) |
| Cost of services, excluding depreciation and amortization | – | – | – | – | – | – | – | – | (25,499) | – | – | – | (8,966) | – | (2,217) | – | – | (36,682) | 32,364 | (4,318) |
| Exploration in operating units | (20,898) | (29,563) | (8,646) | (613) | (20,553) | (9,996) | (74) | – | – | – | – | – | – | – | – | – | – | (90,343) | – | (90,343) |
| Depreciation and amortization | (26,181) | (8,802) | (3,353) | (2,407) | (77,029) | (67,666) | (34,088) | – | (10,248) | – | – | – | (11,483) | – | – | – | – | (241,257) | (29) | (241,286) |
| Mining royalties | (2,243) | (13,669) | (237) | (138) | (1,936) | (2,345) | (957) | – | – | – | – | – | – | – | – | – | – | (21,525) | (1) | (21,526) |
| **Total operating costs** | (201,139) | (149,040) | (38,794) | (15,261) | (192,347) | (296,567) | (104,112) | – | (35,747) | – | – | – | (26,729) | – | (598,381) | (2,216,663) | (170,866) | (4,045,646) | 3,062,689 | (982,957) |
| **Gross profit (loss)** | 56,143 | 3,963 | (4,690) | 1,405 | 32,934 | 36,993 | (7,501) | – | 27,215 | 14,986 | 20,385 | 615 | (166) | – | 58,977 | 837,363 | 54,581 | 1,133,203 | (948,779) | 184,424 |
| **Operating expenses, net** | | | | | | | | | | | | | | | | | | | | |
| Administrative expenses | (24,119) | (15,100) | (2,524) | (1,661) | (17,822) | (9,906) | (3,435) | (3,143) | (3,972) | (11,900) | (220) | (512) | (1,627) | 2,377 | (2,783) | – | (5,644) | (101,991) | 23,231 | (78,760) |
| Exploration in non-operating areas | (18,339) | – | – | – | – | (7,199) | (5,002) | (2,883) | – | – | – | – | – | (4,091) | – | – | – | (37,514) | 1,207 | (36,307) |
| Selling expenses | (8,213) | (775) | (356) | (574) | (3,046) | (12,201) | (784) | – | (1,173) | – | – | – | (924) | – | (2,627) | – | (1,135) | (31,808) | 4,286 | (27,522) |
| Provision for contingences and others | 6,784 | (121) | 947 | (9) | 1,263 | (3,711) | (57) | 6,130 | (56) | – | – | – | 2 | (111) | – | – | – | 11,061 | 178 | 11,239 |
| Impairment recovery of long-lived assets | – | – | – | – | – | – | 5,693 | – | – | – | – | – | – | – | – | – | – | 5,693 | – | 5,693 |
| Other, net | (5,953) | (3,386) | (1,050) | (3,704) | (5,599) | 32,565 | (669) | 138 | 562 | – | | 2,773 | 194 | (2,235) | (76,155) | – | (325) | (62,844) | 57,832 | (5,012) |
| **Total operating expenses, net** | (49,840) | (19,382) | (2,983) | (5,948) | (25,204) | (452) | (4,254) | 242 | (4,639) | (11,900) | (220) | 2,261 | (2,355) | (4,060) | (81,565) | – | (7,104) | (217,403) | 86,734 | (130,669) |
| **Operating profit (loss)** | 6,303 | (15,419) | (7,673) | (4,543) | 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 | 915,800 | (862,045) | 53,755 |
| **Other income (expense),net** | | | | | | | | | | | | | | | | | | | | |
| Finance costs | (308) | (395) | (95) | (34) | (262) | (10,365) | (1,946) | (222) | (7,576) | (2) | (11) | (25) | (932) | (17,194) | (39,024) | (426,733) | (2,935) | (508,059) | 469,603 | (38,456) |
| Net gain (loss) from currency exchange difference | 196 | 168 | 8 | 19 | 209 | 108 | (224) | (846) | (346) | 19 | 18 | 2 | (482) | (206) | (2,056) | 6,161 | (852) | 1,896 | (3,262) | (1,366) |
| Share in the results of associates under equity method | – | – | – | – | – | – | – | – | 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 | 51,590 | (41,904) | 9,686 |
| **Total other income (expense), net** | (112) | (227) | (87) | (15) | (53) | (9,839) | (521) | (1,068) | 846 | 17 | 28 | (25,532) | (1,287) | 6,974 | (29,632) | (392,483) | (3,430) | (456,420) | 425,140 | (31,280) |
| Profit (loss) before income tax | 6,191 | (15,646) | (7,760) | (4,558) | 7,677 | 26,702 | (12,275) | (826) | 23,422 | 3,103 | 20,193 | (22,656) | (3,808) | 2,914 | (52,220) | 444,880 | 44,047 | 459,380 | (436,905) | 22,475 |
| Income tax current | (768) | (559) | (72) | (47) | (656) | (8,332) | (24) | – | – | – | (6,025) | (444) | (2) | – | (30,368) | (325,170) | (23,405) | (395,872) | 378,944 | (16,928) |
| Income tax deferred | – | – | – | – | – | (10,803) | (1,220) | – | (7,584) | – | – | – | 106 | 9,514 | 1,071 | – | 4,942 | (3,974) | (6,024) | (9,998) |
| **Profit (loss) from continued operations** | 5,423 | (16,205) | (7,832) | (4,605) | 7,021 | 7,567 | (13,519) | (826) | 15,838 | 3,103 | 14,168 | (23,100) | (3,704) | 12,428 | (81,517) | 119,710 | 25,584 | 59,534 | (63,985) | (4,451) |
| Loss from discontinued operations, see note 1(e) | | | | | | | | | | | | | | | | | | | | (7,203) |
| **Net loss** | | | | | | | | | | | | | | | | | | | | (11,654) |
| **Total assets** | 126,374 | 39,725 | 39,537 | 13,793 | 461,335 | 773,554 | 158,718 | 372,344 | 366,354 | 12,154 | 7,154 | 520,484 | 106,391 | 2,407,754 | 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 | 6,685 | 28,502 | 340,735 | 68,615 | 18,986 | 197,152 | 4,597 | 2,653 | 603 | 20,671 | 419,208 | 1,463,749 | 2,445,840 | 125,307 | 5,248,748 | (4,061,092) | 1,187,656 |
| **Other segment information** | | | | | | | | | | | | | | | | | | | | |
| Investment in associates | – | – | – | – | – | – | – | – | – | – | – | – | – | 1,473,382 | – | – | – | 1,473,382 | – | 1,473,382 |
| **Additions to mining concessions, development costs, property, plant and equipment** | 18,429 | 6,225 | 2,984 | 1,810 | 18,858 | 29,572 | 13,159 | 17,141 | 118 | – | – | – | 1,816 | 1,158 | – | – | – | 111,270 | – | 111,270 |

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

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

**Reconciliation of segment profit (loss)**

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

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments profit (loss)** | 59,534 | 250,134 | (1,397,473) |
| Elimination of profit of equity accounted investees, not consolidated (owned by third parties) | (63,777) | (225,215) | 645,989 |
| Elimination of intercompany sales | (74,637) | (108,973) | (251,502) |
| Elimination of cost of sales and operating expenses intercompany | 76,780 | 106,726 | 250,157 |
| Elimination of share in the results of subsidiaries and associates | 1,582 | 49,627 | 448,507 |
| Others | (3,933) | 2,234 | (4,419) |
| **Consolidated profit (loss) from continued operations** | (4,451) | 74,533 | (308,741) |

**Reconciliation of segment assets**

The reconciliation of segment assets to the consolidated assets follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments assets** | 15,369,524 | 15,614,979 | 15,522,247 |
| Elimination of assets of equity accounted investees, not consolidated (owned by third parties) | (9,963,853) | (10,090,873) | (10,016,003) |
| Elimination of the subsidiaries and associates of the Parent company | (1,184,240) | (1,186,783) | (1,047,758) |
| Elimination of intercompany receivables | (32,444) | (32,769) | (192,958) |
| Others | 28,234 | 28,259 | 887 |
| **Consolidated assets** | 4,217,221 | 4,332,813 | 4,266,415 |

**Reconciliation of segment liabilities**

The reconciliation of segment liabilities to the consolidated liabilities follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments liabilities** | 5,248,748 | 5,315,362 | 5,500,328 |
| Elimination of liabilities of equity accounted investees, not consolidated | (4,034,896) | (4,012,805) | (4,087,495) |
| Elimination of intercompany payables | (27,822) | (32,769) | (192,958) |
| Others | 1,626 | (602) | (673) |
| **Consolidated liabilities** | 1,187,656 | 1,269,186 | 1,219,202 |

**Disaggregated revenue information**

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

| | Ucchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(000) | Tambomayo (Operation) US$(000) | Colquijirca (Operation) US$(000) | La Zanja (Operation) US$(000) | Energy generation and transmission US$(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 geographic region:** | | | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | | | |
| Peru | 170,986 | 10,808 | 15,261 | 16,799 | 63,049 | 257,559 | 2,770 | - | - | - | - | 751 | - | 537,983 | (167) | 537,816 |
| America | - | 142,432 | - | - | 159,530 | - | 67,756 | - | - | - | - | 906 | - | 370,624 | - | 370,624 |
| Asia | 29,382 | - | 9,115 | - | - | 82,022 | - | - | - | - | - | - | - | 120,519 | - | 120,519 |
| Europe | 57,472 | - | 9,488 | - | 2,760 | - | 26,074 | - | - | - | - | 4,998 | - | 100,792 | - | 100,792 |
| | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | - | - | - | - | 6,655 | - | 1,129,918 | (167) | 1,129,751 |
| **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 |
| **Total revenue from contracts with customers** | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | 62,962 | 14,986 | 20,385 | 615 | 26,564 | - | 1,248,775 | (74,638) | 1,174,137 |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | | | |
| Gold | 11 | 149,092 | 28 | 49 | 150,939 | 18,463 | 93,358 | - | - | - | - | - | - | 411,940 | (14) | 411,926 |
| Silver | 217,843 | 5,243 | 35,307 | 7,045 | 54,109 | 46,060 | 3,583 | - | - | - | - | - | - | 369,190 | (23) | 369,167 |
| Copper | - | (221) | 129 | - | - | 275,119 | - | - | - | - | - | - | - | 275,027 | (266) | 274,761 |
| Zinc | 45,194 | - | - | 9,382 | 18,197 | 101,275 | - | - | - | - | - | - | - | 174,048 | - | 174,048 |
| Lead | 36,238 | - | 1,996 | 3,504 | 6,703 | 40,618 | - | - | - | - | - | - | - | 89,059 | - | 89,059 |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | 6,655 | - | 6,655 | - | 6,655 |
| | 299,286 | 154,114 | 37,460 | 19,980 | 229,948 | 481,535 | 96,941 | - | - | - | - | 6,655 | - | 1,325,919 | (303) | 1,325,616 |
| Commercial deductions | (41,446) | (874) | (3,596) | (3,181) | (4,609) | (141,954) | (341) | - | - | - | - | - | - | (196,001) | 136 | (195,865) |
| | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | - | - | - | - | 6,655 | - | 1,129,918 | (167) | 1,129,751 |
| **Sales by services -** | - | - | - | - | - | - | - | 62,962 | 14,986 | - | 615 | 19,909 | - | 98,472 | (74,471) | 24,001 |
| **Royalties income -** | - | - | - | - | - | - | - | - | - | 20,385 | - | - | - | 20,385 | - | 20,385 |
| **Total revenue from contracts with customers** | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | 62,962 | 14,986 | 20,385 | 615 | 26,564 | - | 1,248,775 | (74,638) | 1,174,137 |

| | **Ucchuchacua (Operation)** US$(000) | **Orcopampa (Operation)** US$(000) | **Julcani (Operation)** US$(000) | **Mallay (Operation)** US$(000) | **Tambomayo (Operation)** US$(000) | **Colquijirca (Operation)** US$(000) | **La Zanja (Operation)** US$(000) | **Construction and engineering** US$(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 geographic region:** | | | | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | | | | |
| Peru | 209,300 | 17,774 | 13,049 | 35,189 | 34,337 | 239,317 | 32,607 | - | - | - | - | - | 852 | 705 | 583,130 | (31,887) | 551,243 |
| 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 | 1,496 | - | 3,820 | 5,513 | - | - | - | - | - | 1,689 | 14,780 | 81,333 | - | 81,333 |
| | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | - | - | - | - | - | 6,317 | 34,016 | 1,257,045 | (31,887) | 1,225,158 |
| **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 |
| **Total revenue from contracts with customers** | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | 10,603 | 60,639 | 14,377 | 20,739 | 615 | 25,975 | 34,016 | 1,383,676 | (108,082) | 1,275,594 |
| | | | | | | | | | | | | | | | | | |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | | | | |
| Gold | 345 | 247,909 | - | 452 | 80,796 | 20,301 | 160,489 | - | - | - | - | - | - | 32,875 | 543,167 | (31,733) | 511,434 |
| Silver | 256,608 | 9,595 | 40,384 | 16,518 | 27,285 | 54,629 | 4,434 | - | - | - | - | - | - | 1,257 | 410,710 | (935) | 409,775 |
| Copper | - | 598 | 192 | - | - | 267,737 | - | - | - | - | - | - | - | - | 268,527 | - | 268,527 |
| Zinc | 31,814 | - | - | 17,505 | 7,914 | 130,790 | - | - | - | - | - | - | - | - | 188,023 | - | 188,023 |
| Lead | 32,244 | - | 4,660 | 8,998 | 4,735 | 44,318 | - | - | - | - | - | - | - | - | 94,955 | - | 94,955 |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | - | 6,317 | - | 6,317 | - | 6,317 |
| Indium | | | | | | 66 | - | - | - | - | - | - | - | - | 66 | - | 66 |
| | 321,011 | 258,102 | 45,236 | 43,473 | 120,730 | 517,841 | 164,923 | - | - | - | - | - | 6,317 | 34,132 | 1,511,765 | (32,668) | 1,479,097 |
| Commercial deductions | (54,529) | (1,145) | (4,116) | (6,788) | (2,354) | (184,744) | (928) | - | - | - | - | - | - | (116) | (254,720) | 781 | (253,939) |
| | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | - | - | - | - | - | 6,317 | 34,016 | 1,257,045 | (31,887) | 1,225,158 |
| **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 |
| **Total revenue from contracts with customers** | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | 10,603 | 60,639 | 14,377 | 20,739 | 615 | 25,975 | 34,016 | 1,383,676 | (108,082) | 1,275,594 |

| Year 2016 | Ucchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues by geographic region:** | | | | | | | | | | | | | | | | |
| Peru | | | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | | | |
| Peru | 194,647 | 14,463 | 13,243 | 44,671 | 125,628 | 180,063 | - | - | - | - | - | 497 | 2,261 | 575,473 | (178,740) | 396,733 |
| America | - | 229,332 | - | - | 2191 | - | - | - | - | - | - | 5,485 | 160,787 | 397,795 | - | 397,795 |
| Asia | 798 | - | 17,943 | - | 78,726 | - | - | - | - | - | - | - | - | 97,467 | - | 97,467 |
| Europe | 47,379 | - | 24,215 | 1,890 | 19,836 | - | - | - | - | - | - | - | 28,609 | 121,929 | - | 121,929 |
| | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | - | - | - | - | - | 5,982 | 191,657 | 1,192,664 | (178,740) | 1,013,924 |
| **Services -** | | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 | (73,960) | 28,782 |
| | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 | (73,960) | 28,782 |
| **Royalties -** | | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | - | - | 24,339 | - | - | - | 24,339 | - | 24,339 |
| **Total revenue from contracts with customers** | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | 12,633 | 57,312 | 12,675 | 24,339 | 615 | 25,489 | 191,657 | 1,319,745 | 252,700 | 1,067,045 |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | | | |
| Gold | 347 | 232,940 | 42 | 1,374 | 16,463 | 179,362 | - | - | - | - | - | - | 188,120 | 618,648 | (178,045) | 440,603 |
| Silver | 260,431 | 11,279 | 55,502 | 25,368 | 29,560 | 3,864 | - | - | - | - | - | - | 3,717 | 389,721 | (3,732) | 385,989 |
| Copper | - | 243 | 230 | - | 224,176 | - | - | - | - | - | - | - | - | 224,649 | - | 224,649 |
| Zinc | 12,042 | - | - | 19,767 | 110,616 | - | - | - | - | - | - | - | - | 142,425 | - | 142,425 |
| Lead | 16,281 | - | 5,142 | 13,256 | 24,011 | - | - | - | - | - | - | - | - | 58,690 | - | 58,690 |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | 5,982 | - | 5,982 | - | 5,982 |
| | 289,101 | 244,462 | 60,916 | 59,765 | 404,826 | 183,226 | - | - | - | - | - | 5,982 | 191,837 | 1,440,115 | (181,777) | 1,258,338 |
| Commercial deductions | (46,277) | (667) | (5,515) | (13,204) | (178,445) | (3,163) | - | - | - | - | - | - | (180) | (247,451) | 3,037 | (244,414) |
| | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | - | - | - | - | - | 5,982 | 191,657 | 1,192,664 | (178,740) | 1,013,924 |
| **Sales by services -** | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 | (73,960) | 28,782 |
| **Royalties income -** | - | - | - | - | - | - | - | - | - | 24,339 | - | - | - | 24,339 | - | 24,339 |
| **Total revenue from contracts with customers** | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | 12,633 | 57,312 | 12,675 | 24,339 | 615 | 25,489 | 191,657 | 1,319,745 | (252,700) | 1,067,045 |

## 32. Derivative financial instruments

Hedge derivative financial instruments -

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 cooper price in accordance with existing copper concentrate sales commitments, which are related to 50 percent of the annual production of copper according to the risk strategy approved by the Board of Directors.

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

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

| | | Quotations | | |
|---|---|---|---|---|
| **Period of settlement** | **MT** | **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 |

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

| | | Quotations | | |
|---|---|---|---|---|
| **Period of settlement** | **MT** | **Fixed** | **Futures** | **Fair value** US$(000) |
| January 2018 | 3,000 | 5,972 – 6,050 | 7,275 | (3,787) |
| February 2018 | 3,000 | 5,972 – 6,050 | 7,260 | (3,736) |
| March 2018 | 3,000 | 5,972 – 6,050 | 7,247 | (3,693) |
| April 2018 | 3,000 | 5,805 – 6,050 | 7,259 | (3,973) |
| May 2018 | 3,000 | 5,900 – 6,300 | 7,269 | (3,484) |
| June 2018 | 3,000 | 5,900 – 6,325 | 7,277 | (3,468) |
| July 2018 | 3,000 | 5,960 - 6,350 | 7,285 | (3,359) |
| August 2018 | 3,000 | 6,520 | 7,290 | (2,288) |
| September 2018 | 3,000 | 7,100 | 7,296 | (580) |
| October 2018 | 3,000 | 7,200 | 7,300 | (296) |
| November 2018 | 3,000 | 7,300 | 7,305 | (13) |
| December 2018 | 3,000 | 7,300 | 7,309 | (28) |
| | 36,000 | | | (28,705) |

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

There were no changes in the objectives, policies or processes during the years ended December 31, 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, 2018 and 2017 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) |
|---|---|---|
| **2018** | | |
| Exchange rate | 10% | 1,695 |
| Exchange rate | (10%) | (1,681) |
| **2017** | | |
| Exchange rate | 10% | 2,474 |
| Exchange rate | (10%) | (2,459) |
| **2016** | | |
| Exchange rate | 10% | (924) |
| Exchange rate | (10%) | 926 |

(a.2) Commodity price risk

The Group is affected by the price volatility of the commodities. The price of mineral sold by the Group has fluctuated historically and is affected by numerous factors beyond its control.

The Group manages its commodity price risk primarily through the use of sales commitments in customer contracts and hedge contracts for the metals sold by the subsidiary El Brocal.

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

(a.3) Interest rate risk -

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

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

| | **Increase/decrease of Libor rate** (percentage rates) | **Effect on profit (loss) before income tax** US$(000) |
|---|---|---|
| **2018** | | |
| Interest rate | 10 | (227) |
| Interest rate | -10 | 227 |
| **2017** | | |
| Interest rate | 10 | (677) |
| Interest rate | -10 | 677 |
| **2016** | | |
| Interest rate | 10 | (333) |
| Interest rate | -10 | 333 |

(b) Credit risk -

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

The Group invests the excess cash in financial leading institutions, sets conservative credit policies and constantly evaluates the market conditions in which it operates.
Trade accounts receivable are denominated in U.S. dollars. The Group's sales are made to domestic and foreign customers. See concentration of spot sales in note 20(b). An impairment analysis is performed on an individual basis.

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

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

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

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

| | **Less than 1 year** US$(000) | **Between 1 and 2 years** US$(000) | **Between 2 and 5 years** US$(000) | **More than 5 years** US$(000) | **Total** US$(000) |
|---|---|---|---|---|---|
| **As of December 31, 2018 -** | | | | | |
| Bank loans | 95,613 | – | – | – | 95,613 |
| Trade and other payables | 176,811 | 639 | – | – | 177,450 |
| Financial obligation | 77,183 | 374,760 | 201,487 | – | 653,430 |
| Contingent consideration liability | – | – | 5,904 | 32,472 | 38,376 |
| **Total** | 349,607 | 375,399 | 207,391 | 32,472 | 964,869 |
| **As of December 31, 2017 -** | | | | | |
| Bank loans | 96,580 | – | – | – | 96,580 |
| Trade and other payables | 219,379 | 663 | – | – | 220,042 |
| Derivative financial instruments | 28,705 | – | – | – | 28,705 |
| Financial obligation | 110,062 | 148,718 | 449,689 | – | 708,469 |
| Contingent consideration liability | – | – | 9,280 | 28,469 | 37,749 |
| **Total** | 454,726 | 149,381 | 458,969 | 28,469 | 1,091,545 |

(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, 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 | – |
| **As of December 31, 2017 -** | | | | |
| **Assets and liabilities measured at fair value:** | | | | |
| Fair value of account receivable | 152,268 | – | 152,268 | – |
| Contingent consideration liability | 17,570 | – | – | 17,570 |
| Hedge instruments | 28,705 | – | 28,705 | – |

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

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

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

Financial instruments at fixed and variable rates -

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

During 2018 and 2017, the fair value of the investment property amounted to US$544,000 and US$191,000, respectively.

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, 2018 and 2017.

**35. 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.

№ 0073552

# COLEGIO DE CONTADORES PÚBLICOS DE LIMA

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TELEF.: 230-3000

R.U.C. 20106620106

Nº 73552

## Constancia de Habilitación

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

PAREDES, BURGA & ASOCIADOS SOC. CIVIL DE RESPONSABILIDAD LIMITADA

MATRICULA : S0761

FECHA DE COLEGIATURA : 05/11/2002

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

31/03/2019

Lima,

19 de Enero de 2018

Elsa R. Ugarte V.

CPCC Elsa Rosario Ugarte Vásquez
**Decana**

Penadillo C.

CPCC Moisés Manuel Penadillo Castro
**Director Secretario**

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

Comprobante de Pago: 113-00000246

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