VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016 AND THE

INDEPENDENT AUDITOR'S REPORT

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Members of the Board of Directors of
VOLCAN COMPAÑÍA MINERA S.A.A.

We have audited the consolidated financial statements of **VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES**, which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statements of income and other comprehensive income, of changes in net equity and of cash flow for the years then ended, as well as a summary of significant accounting policies and other explanatory notes, 1 through 35.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing applicable in Peru, as approved by the Board of Deans of Peru Public Accountants' Professional Association. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance whether the 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When making those risk assessments, the auditor considers relevant internal control to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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 present fairly, in all material respects, the financial position of **VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES,** as of December 31, 2017 and 2016, its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Lima, Peru
February 28, 2018

Pazos, López de Romaña, Rodríguez

Countersigned by

____________________________ (Partner)
Luis Gómez Montoya
CPA N° 01-19084

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

ASSETS

	Notes	2017	2016
CURRENT ASSETS			
Cash and cash equivalent	5	101,829	140,945
Financial investments	6	51,806	62,406
Trade accounts receivable, net	7	61,852	69,121
Other accounts receivable	8	160,929	350,479
Other financial assets	9	46,770	43,248
Inventories, net	10	71,672	90,553
		------------	------------
Total current assets		494,858	756,752
		------------	------------
NON-CURRENT ASSETS			
Other accounts receivable	8	3,378	30,213
Other financial assets	9	-	21,159
Investments in third parties		162	442
Property, plant and equipment, net	11	938,557	1,021,428
Mining titles and concessions, and exploration, development and stripping costs, net	12	705,710	579,738
Deferred income tax	17 (b)	147,578	274,811
		------------	------------
Total non-current assets		1,795,385	1,927,791
		------------	------------
Total assets		2,290,243	2,684,543
		========	========

LIABILITIES AND EQUITY

	Notes	2017	2016
CURRENT LIABILITIES			
Bank overdrafts		4,005	30,256
Financial obligations	13	173,386	250,923
Trade accounts payable	14	209,962	211,244
Other accounts payable	15	92,043	111,161
Other financial liabilities	9	126,620	105,228
		------------	------------
Total current liabilities		606,016	708,812
		------------	------------
NON-CURRENT LIABILITIES			
Financial obligations	13	628,987	562,504
Other financial liabilities	9	-	24,570
Provision for closure of mining units	16 (b)	134,890	70,528
Deferred income tax	17 (b)	276,842	162,050
Provision for contingencies	30	38,835	34,449
		------------	------------
Total non-current liabilities		1,079,554	854,101
		------------	------------
Total liabilities		1,685,570	1,562,913
		------------	------------
NET EQUITY	18		
Capital		1,134,300	1,253,181
Treasury shares		(61,222)	(196,778)
Legal reserve		1,055	3,553
Capital reserve		(174,320)	20,298
Revaluation surplus		46,554	-
Unrealized profit or loss		(20,511)	-
Retained earnings		(321,183)	41,376
		------------	------------
Total net equity		604,673	1,121,630
		------------	------------
Total liabilities and net equity		2,290,243	2,684,543
		========	========

The accompanying notes to the consolidated financial statements are part of this statement.

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	Notes	2017	2016
NET SALES	21	856,734	821,548
COST OF SALES	22	(566,118)	(581,224)
Gross profit		290,616	240,324
OPERATING (EXPENSES) REVENUES:			
Administrative expenses	23	(45,718)	(44,163)
Selling expenses	24	(30,563)	(34,068)
Other revenues	25	136,065	47,914
Other expenses	25	(158,228)	(92,499)
Revenues for reversion of impairment of non-financial assets	12 and 26	74,315	51,400
Expenses for impairment of non-financial assets	26	(432,147)	-
		(456,276)	(71,416)
Operating loss		(165,660)	168,908
FINANCIAL REVENUES (EXPENSES):			
Revenues	27	49,706	89,216
Expenses	27	(82,765)	(124,674)
		(33,059)	(35,458)
(Loss) profit before income tax		(198,719)	133,450
INCOME TAX	17 (a)	(278,747)	(49,044)
Net (loss) profit		(477,466)	84,406
Weighted average of the number of outstanding shares (in thousands)	28	3,858,230	3,858,520
Basic and diluted profit (loss) per share	28	(0.124)	0.022

The accompanying notes to the consolidated financial statements are part of this statement.

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

OTHER CONSOLIDATED COMPREHENSIVE INCOME

FOR THE YEARS ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	Notes	2017	2016
Net (loss) profit		(477,466)	84,406
		----------	----------
OTHER COMPREHENSIVE INCOME: Items that may be subsequently reclassified to the year profit or loss			
Unrealized variation for derivative financial instruments	19 (d)	(29,094)	35,505
Income tax	19 (d)	8,583	(9,942)
		----------	----------
Other comprehensive income, net income tax		(20,511)	25,563
		----------	----------
Total comprehensive income		(497,977)	109,969
		=======	=======

The accompanying notes to the consolidated financial statements are part of this statement.

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

		NUMBER OF SHARES									
	NOTE	COMMON A	COMMON B	CAPITAL	TREASURY SHARES	LEGAL RESERVE	CAPITAL RESERVE	REVALUATION SURPLUS	UNREALIZED PROFIT OR LOSS	RETAINED EARNINGS	TOTAL
Balance as of January 31, 2015		1,427,753,658	2,430,922,721	1,531,743	(240,450)	119,837	20,296	-	(25,563)	(378,364)	1,027,499
Use of accumulated losses		-	-	(278,562)	43,725	(116,516)	-	-	-	351,353	-
Payment of dividends	18 (a)	-	-	-	-	-	-	-	-	(15,136)	(15,136)
Appropriation		-	-	-	-	232	-	-	-	(232)	-
Retained earnings Empresa Administradora de Puertos S.A.C.		-	-	-	-	-	-	-	-	(4,418)	(4,418)
Purchase of shares of the Company by the Subsidiary		(156,762)	-	-	-	-	-	-	-	-	-
Increase of shares in the portfolio		-	-	-	(53)	-	2	-	-	-	(51)
Net variation of unrealized gain for derivative financial instruments	19 (d)	-	-	-	-	-	-	-	25,563	-	25,563
Conversion effect		-	-	-	-	-	-	-	-	3,767	3,767
Net profit		-	-	-	-	-	-	-	-	84,406	84,406
Balance as of December 31, 2016		1,427,596,896	2,430,922,721	1,253,181	(196,778)	3,553	20,298	-	-	41,376	1,121,630
Reclassifications		(289,669)	-	(118,881)	135,723	41,490	(194,337)	-	-	136,005	-
Use of accumulated losses		-	-	-	-	(55,833)	-	-	-	55,833	-
Payment of dividends	18 (a)	-	-	-	-	-	-	-	-	(30,454)	(30,454)
Revaluation of assets		-	-	-	-	-	-	46,554	-	-	46,554
Appropriation		-	-	-	-	11,845	-	-	-	(11,845)	-
Increase of shares in the portfolio		-	-	-	(167)	-	(281)	-	-	-	(448)
Unrealized loss due to hedging financial instruments, net	19 (d)	-	-	-	-	-	-	-	(20,511)	-	(20,511)
Conversion effect		-	-	-	-	-	-	-	-	(19,371)	(19,371)
Retained earnings of new Subsidiaries		-	-	-	-	-	-	-	-	(15,261)	(15,261)
Net loss		-	-	-	-	-	-	-	-	(477,466)	(477,466)
Balance as of December 31, 2017		1,427,307,227	2,430,922,721	1,134,300	(61,222)	1,055	(174,320)	46,554	(20,511)	(321,183)	604,673

The accompanying consolidated financial statements are part of this statement.

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	2017	2016
OPERATING ACTIVITIES:		
Collection of sales	961,891	904,156
Refund of credit balance subject matter of benefit	49,054	47,656
Payments to suppliers and third parties	(466,354)	(574,442)
Payments to employees	(95,357)	(79,838)
Payments of income tax	(22,359)	(9,548)
Payments of royalties	(16,132)	(9,110)
Outflow of hedgings	(15,007)	(44,557)
	----------	----------
NET CASH FROM OPERATING ACTIVITIES	395,736	234,317
	----------	----------
INVESTMENT ACTIVITIES:		
Received dividends	-	304
Purchase of investment property	-	(26,110)
Disbursements for acquisition of property, plant and equipment	(123,354)	(43,743)
Disbursement for exploration and development activities	(207,963)	(69,883)
	----------	----------
NET CASH USED IN INVESTMENT ACTIVITIES	(331,317)	(139,432)
	----------	----------
FINANCING ACTIVITIES:		
Sale of treasury shares	-	2
Payment of financial obligations	(37,644)	(31,617)
Payment of interests	(36,526)	(37,090)
Payment of dividends	(29,365)	(15,136)
	----------	----------
NET CASH USED IN FINANCING ACTIVITIES	(103,535)	(83,841)
	----------	----------
CASH AND CASH EQUIVALENT (DECREASE) INCREASE	(39,116)	11,044
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	140,945	129,901
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CASH AND CASH EQUIVALENT AT THE END OF THE YEAR (Note 5)	101,829	140,945
	=======	=======

VOLCAN COMPAÑÍA MINERA S.A.A. Y SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ON DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	Notes	2017	2016
RECONCILIATION OF THE NET PROFIT OR LOSS WITH CASH AND CASH EQUIVALENT OF OPERATING ACTIVITIES:			
Net (loss) profit		(477,466)	84,406
Plus (less) adjustements to net (loss) profit:			
Depreciation and amortization	11 and 12	139,093	133,964
Allowance for impairment of fixed assets and intangibles	11 and 12	432,147	-
Reversion of allowance for impairment of intangibles		(74,315)	(51,399)
Revenue from changes of allowances		(89,036)	-
Write-off of property, plant and equipment	11	12,168	1,714
Provision of contingencies		4,386	-
Provision for closure of mining units		(1,106)	-
Other financial assets		17,637	-
Adjustment of investments to third parties		280	-
Impairment of financial investments		10,600	-
Allowance for doubtful accounts		21,865	-
Impairment of inventories		14,371	-
Deferred income tax		222,545	242,025
Adjuntments to equity accounts		(55,591)	-
Net changes in assets and liabilities accounts			
(Increase) decrease of operating assets			
Accounts receivable		201,789	(11,160)
Inventories		4,510	16,415
Increase (decrease) of operating liabilities -			
Trade accounts payable		(1,281)	45,950
Other accounts payable		16,319	(227,598)
Other financial liabilities		(3,179)	-
		----------	----------
NET CASH FROM OPERATING ACTIVITIES		395,736	234,317
		=======	=======

The accompanying consolidated financial statements are part of this statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 AND 2016

1. IDENTIFICATION, ECONOMIC ACTIVITY AND OTHER CORPORATE MATTERS

(a) Identification

Volcan Compañía Minera S.A.A. (hereinafter “the Company”, “The Principal”, “Volcan” or “Grupo Volcan”) was established in February 1, 1998, in the city of Lima, Peru, through merger of Volcan Compañía Minera S.A., established in June 1943 and Empresa Minera Mahr Túnel S.A., a company that was acquired by the Company through a privatization process in 1997. It is a legal entity under private law that is ruled by its bylaws and the General Business Act.

The Company registered office, as well as its administrative headquarters and its Subsidiaries, are located at Av. Manuel Olguín No. 375, Santiago de Surco, Lima. The mining operation centers and hydroelectric power plant are located in the departments of Cerro de Pasco, Junín and Lima.

The shares making up share capital of the Company and Subsidiaries are listed in the Lima Stock Exchange.

In November 2017, Glencore International AG made a public bid of acquisition of Class “A” common shares (OPA), and when completing those, it became controlling shareholder of Volcan Compañía Minera S.A.A. with 23.29% of the total shareholding between October and December 2017. The Company adapted its financial statements to the estimated accounting of the parent company.

The Company is subsidiary of Glencore Internacional AG, domicilied in Switzerland.

(b) Economic activity

The Company is devoted, on its own account, to exploring and exploiting mining claims and extracting, concentrating, treating, and trading polymetallic ores.

The Company Management administers and manages all of the operations of its subsidiaries and the subsidiaries of its subsidiaries.

(c) Subsidiaries

Here are the subsidiaries included in the preparation of current consolidated financial statements.

Name of Subsidiary	Percentage of direct and indirect shareholding in the capital	
	2017	2016
Compañía Minera Alpamarca S.A.C.	-	100.00
Compañía Minera Chungar S.A.C.	100.00	100.00
Empresa Explotadora de Vinchos Ltda. S.A.C.	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Minera Aurífera Toruna S.A.C. (*)	80.00	80.00
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100.00	100.00
Hidroeléctrica Huanchor S.A.(**)	100.00	100.00
Empresa de Generación Eléctrica Rio Baños S.A.C.(**)	99.99	99.99
Compañía Hidroeléctrica Tingo S.A. (***)	99.99	99.99
Óxidos de Pasco S.A.C.	99.99	99.99
Terminales Portuarios Chancay S.A.	99.99	99.99
Empresa Administradora de Puertos S.A.C.	-	99.99
Roquel Global S.A.C.	99.99	-
Agroindustrias Chancay S.A.C.	99.99	-
Compañía Minera Vichaycocha S.A.C.	99.99	-
Compañía Industrial Limitada de Huacho S.A.	55.81	-
Corporación Logística Chancay S.A.C.	99.99	-

(*) They are, in turn, Subsidiaries of Empresa Minera Paragsha S.A.C.

(**) They are, in turn, Subsidiaries of Empresa Administradora Chungar S.A.C.

(***) Electricity generation company acquired in 2016. It is a subsidiary of Compañía Minera Chungar S.A.C.

A brief description of each subsidiary is given below:

- The subsidiary Empresa Administradora Chungar S.A.C. ("EAC") and Compañía Minera Alpamarca S.A.C. ("Alpamarca") agreed to merge in 2016. The merger was made official through public deed granted by Notary Public of Lima, Dr. Mario Gino Benvenuto Murguía on February 1, 2016. On the other hand, as a result of the merger, which became effective as from January 1, 2016, Alpamarca absorbed all the equity of EAC, extinguishing the latter without liquidation. Additionally, Alpamarca agreed to change its name to Compañía Minera Chungar S.A.C.

- Compañía Minera Chungar S.A.C. have two mining units found in the department of Pasco. It is devoted to exploring, developing and exploiting mine sites, mainly ores containing zinc, copper and lead.

- Empresa Explotadora de Vinchos Ltda. S.A.C. was established on January 27, 1925, in the city of Lima, Peru. As of September 2000, it is subsidiary of Volcan. It has a mining unit in the department of Pasco, whose production activiy of lead and silver concentrates dates back to 1990. From December 1997 to these days, the subsidiary makes, through specialists, various geological, exploration studies as part of the process of geological, exploration rethinking of its mining claims, devoting to the exploration of lead and silver. As from September 2014, it has reset the exploitation and processing of ores extracted of its mining concessions. For this pupose, it uses the concentring plant San Expedito, owned by Volcan.

- Empresa Minera Paragsha S.A.C. was established on December 27, 1996, in the city of Lima, Peru, by virtue of agreement No. 026-96-CEPRI-CENTROMIN dated on May 6, 1996. As from May 2000, it is subsidiary of Volcan. It is devoted to exploring, exploiting, assigning and usufruct of mines, being its main activity the exploration of mining concessions, through the financial of the Principal or of other companies of Grupo Volcan. The Management considers that it will continue the financing support of the Principal due to the important strategy it has as part of Grupo Volcan.

- Minera Aurífera Toruna S.A.C. was established on January 25, 2005, in the city of Lima, Peru. As from March 2007, it is subisiary of Paragsha. It is devoted to exploring, developing and exploiting mine sites, mainly gold ores, being its main activity the exploration in its mining concessions, through the financing of the Principal or of other companies of Grupo Volcan.

- Empresa Administradora de Cerro S.A.C. was established on December 29, 2010, in the city of Lima, Peru. As from February 2011, it is subsidiary of Volcan. It is devoted to exploring, developing and exploiting mine sites, mainly ores containing zinc, lead and copper.

- Minera San Sebastián AMC S.R.L. was established on November 12, 2001, in the city of Cerro Pasco, Peru. As from February 2011, it is subsiary of Volcan. It is devoted to exploring, developing and exploiting mine sites, mainly ores containing zinc, copper and lead.

- Hidroeléctrica Huanchor S.A.C. was established in the city of Lima, Peru. It is devoted to the electric power generation activities, has hydroelectric power plant Huanchor, Tamboraque I and II. The Company through purchase and sale contract dated February 29, 2012 acquired all shares Sociedad Minera Corona S.A. has in Hidroeléctrica Huanchor S.A.

- Empresa de Generación Energética Rio Baños S.A.C. was established on June 23, 2010 in Lima, Peru. It is a subsidiary of Hidroeléctrica Huanchor S.A.C. and has the hydroelectric power plant Baños V. This project is in process and develops in the confluence of the Quiles river with the Baños river, both tributary of the Chancay river.

- Compañía Hidroeléctrica Tingo S.A. was established on March 4, 2009 and started operations on May 1, 2009. It is a subsidiary of Compañía Minera Chungar S.A.C. and its main object is to be devoted to operating and maintaining electric power plants and electric energy transmission plants. It has the hydroelectric power plant of Tingo of 1.25 MW and 82 km of transmission lines of 22.9 and 50 kV.

- Óxidos de Pasco S.A.C. was established and became effective on October 1, 2016, in the city of Cerro de Pasco, Peru. It is subsidiary of Volcan. It is devoted to exploiting, developing and exploring mine sistes, mainly ores containing zinc, lead, silver and copper.

- On April 15, 2017, the merger between Terminales Portuarios Chancay S.A. and Empresa Administradora de Puertos S.A.C. became effective, and because of this merger, all equity of Empresa Administradora de Puertos S.A.C. was assumed by Terminales Portuarios Chancay S.A., extinguishing such company. Empresa Administradora de Puertos S.A.C., a company devoted to advising and consulting relating to port activities and operations is main shareholder of Terminales Portuarios Chancay S.A., a company devoted to developing port activities and see services. On October 5, 2016, debts it has with Volcan Compañía Minera S.A.A. were capitalized for S/145,849 thousands.

- As from 2017, Roquel Global S.A.C. was included as a subsidiary. It is devoted to developing real estate as well as port and logistics activities.

- As from 2017, groindustrias Chancay S.A.C. was included as a subsidiary. It is a subsidiary of TPCH. Its main asset is a real estate found at the district of Chancay, Huaral, northern Lima.

- As from 2017, Compañía Mínera Vichaycocha S.A.C. was included as a subsidiary. It is devoted to mining activities, developing activities that include exploration, exploitation and treatment of different metals and ores.

- As from 2017, Corporación Logística Chancay S.A.C. was included as a subsidiary. The company is mainly devoted to developing real estate, as well as port and logistics activities.

- As from 2017, Compañía Industrial Limitada De Huacho S.A. was included as a subsidiary. It is mainly devoted to real estate activities.

A summary of the separate consolidated financial statements of the subsidiaries, as appropriate, as of December 31, 2017 and 2016 is given below (expressed in thousands of U.S. dollars):

Subsidiary 2017	Assets	Liabilities	Equity	Net (loss) profit
Compañía Minera Chungar S.A.C.	769,120	484,947	284,173	(69,943)
Empresa Minera Paragsha S.A.C.	311,962	82,675	229,287	(34,926)
Empresa Explotadora de Vinchos Ltda. S.A.C.	9,300	17,827	(8,527)	(45,954)
Empresa Administradora Cerro S.A.C.	131,637	146,484	(14,847)	(314,690)
Minera San Sebastián AMC S.R.L.	1,117	166	951	(6,688)
Hidroeléctrica Huanchor S.A.C.	82,518	48,864	33,654	156
Óxidos de Pasco S.A.C.	319,889	219,130	100,759	(96,430)
Empresa de Generación Eléctrica Río Baños S.A.C.	68,156	42,360	25,796	(3,075)
Minera Aurífera Toruna S.A.C.	3,571	912	2,659	(21,654)
Compañía Minera Vichaycocha S.A.C.	11,746	3,263	8,483	(99,735)
Terminales Portuarios Chancay S.A.C.	147,350	39,890	107,460	(631)
Roquel Global S.A.C.	23,001	1,059	21,942	(4,194)
Compañía Hidroeléctrica Tingo S.A.	16,561	1,650	14,911	151
Corporación Logística Chancay S.A.C.	2	3	(1)	-
Compañía Industrial Limitada De Huacho S.A	11,294	12,481	(1,187)	(285)
Agroindustrias Chancay S.A.	170	177	(7)	-
	1,907,394	1,101,888	805,506	(697,898)

A summary of the separate consolidated financial statements of the subsidiaries, as appropriate, as of December 2016 is given below (expressed in thousands of U.S. dollars):

Subsidiary 2016	Assets	Liabilities	Equity	Net (loss) profit
Compañía Minera Chungar S.A.C.	1,182,938	914,457	268,481	24,810
Empresa Minera Paragsha S.A.C.	343,835	141,969	201,866	(3,863)
Empresa Explotadora de Vinchos Ltda. S.A.C.	42,468	29,902	12,566	(1,897)
Empresa Administradora Cerro S.A.C.	344,141	249,907	94,234	(15,519)
Minera San Sebastián AMC S.R.L.	7,421	2,284	5,137	-
Hidroeléctrica Huanchor S.A.C.	103,916	62,789	41,127	2,051
Empresa Administradora de Puertos S.A.C.	76,009	36,996	39,013	(1,757)
Óxidos de Pasco S.A.C.	494,406	328,033	166,373	(20,260)
Empresa de Generación Eléctrica Río Baños S.A.C.	60,440	31,281	29,159	(1,088)
Minera Aurífera Toruna S.A.C.	23,821	23,781	40	(1)
Compañía Hidroeléctrica Tingo S.A.	16,334	1,574	14,760	-
Terminales Portuarios Chancay S.A.C.	26,372	1,797	24,575	(408)
	2,722,101	1,824,770	897,331	(17,932)

(d) Price of ores

In 2017, the average Price of ores in the international market increased such as zinc (US$ 2,836 in 2017 and US$ 2,090 in 2016 per TM), lead (US$ 2,311 in 2017 and US$ 1,871 in 2016 per MT) and price of silver remained (US$ 17.1 in 2017 and 2016 per Oz), which are exploited by the Company.

(e) Merger

The General Shareholders' Meeting of Empresa Administradora Chungar S.A.C. dated on August 31, 2015 approved merger project by absorption between Administradora Chungar S.A.C. and Compañía Minera el Pilar S.A.C., Compañía Minera Huascaran S.A.C., Compañía Minera Llacsacocha S.A.C, Shalca Compañía y Minera S.A.C. and Recursos Troy S.A.C. The effective date of the merger was September 1, 2016.

The equity block absorbed by Empresa Administradora Chungar S.A.C. is made up as follows (in thousands of U.S. dollars):

	Compañía Minera el Pilar S.A.C. (*)	Compañía Minera Huascaran S.A.C. (**)	Compañía Minera Llacsacocha S.A.C.	Shalca Compañías Minera S.A.C. (**)	Recursos Troy S.A.C.
Assets					
Cash and cash equivalent	15	-	1	4	-
Accounts receivable from related companies	6	2	-	1	-
Other accounts receivable	2,025	692	8	23	-
Inventories, net	193	51	-	-	-
Investments in shares, net	5	-	-	-	-
Real estate, machines and equipment, net	6,467	215	-	-	-
Mining rights and concessions, net	10,489	4,199	-	195	3,521
Total assets	19,200	5,159	9	223	3,521
Liabilities					
Trade accounts payable	52	32	-	4	-
Accounts payable to related companies	18,978	4,929	7	216	-
Other accounts payable	3	8	-	1	21
Deferred tax liabilities	-	3	-	-	-
Provision for contingencies	-	110	-	-	-
Total liabilities	19,033	5,082	7	221	21
Net value of the equity block absorbed by Empresa Administradora Chungar S.A.C.	167	77	2	2	3,500

Public Deed dated October 19, 2015 made this transaction official.

(*) It is subsidiary of Volcan Compañía Minera S.A.A.
(**) They are subsidiaries Compañía Minera Paragsha S.A.C.

On April 15, 2017, the merger between Terminales Portuarios Chancay S.A. and Empresa Administradora de Puertos S.A.C. became effective, and as a result of such merger, all equity of Empresa Administradora de Puertos S.A.C. was assumed by Terminales Portuarios Chancay S.A., extinguishing such company.

(f) Issue of bonds

By resolution of the General Shareholders' Meeting held on November 4, 2011, the Company issue of obligations was approved for up to US$ 1,100,000,000 (One thousand One Hundred Million U.S. dollars), or its equivalent in Soles, to be placed in the international and/or local markets, with a first tranche for up to US$ 600,000,000 (Six Hundred Million U.S. dollars), to finance mining and energy projects in the next five years.

In the Company Board meeting held on January 16, 2012, it was resolved to approve the issue of bonds, under Rule 144A and Regulations of the US Securities Act, for up to US$ 600,000,000 (Six Hundred Million U.S. dollars).

On February 2, 2012, bonds were issued and the so called "Senior Notes Due 2022" for $ 600,000,000 were placed in full in the international market at an annual rate of 5.375% with maturity in 10 years. Interests will be paid through semiannual installments from August 2, 2012 to February 2, 2022. No covenants of compliance has been established for this obligation.

These funds were mainly used in projects for the growing of subsidiary Empresa Administradora Cerro S.A.C. and related company Compañía Minera Alpamarca S.A.C., both merged, including the Silver Oxides Plant located at the Cerro de Pasco unit and the new unit Alpamarca-Río Pallaga, having invested in them, in camps, tailings deposits, concentrating plants and mine development.

Bank interests have been paid off on time when due. Management estimates there will be no problem to continue paying off this obligation.

(g) Trust Agreement on Management and Guarantee entered with Banco Internacional del Perú S.A.A. (hereinafter "Interbank")

For control operating reasons, an agreement was entered on August 5, 2013 by and between "Interbank" (as the trustee) and Volcan Compañía Minera S.A.A. (as the trustor). Under this agreement trust assets were granted for management and guarantee, by virtue of which the Company transferred in fiduciary domain to Interbank, the Cash Flows credited to its Collection Accounts. This trust agreement is being fulfilled and allow ensuring cash flows to the obligations of the Company and Subsidiaries involved.

(h) Consolidated Financial Statements approval

The consolidated financial statements of 2016 were approved in the General Shareholders' Meeting held on March 28, 2017. The ones as of December 31, 2017 have been authorized by Management in February 15, 2018 and will be filed for approval to the General Shareholders' Meeting within the time frames established by Law. In General Management's opinion, the accompanying consolidated financial statements will be approved without changes.

2. ACCOUNTING POLICIES FOLLOWED BY THE COMPANY AND SUBSIDIARIES

The main accounting policies adopted by the Company and subsidiaries to prepare and present its consolidated financial statements are given below. They have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS), under consistently applied principles and criteria for the years presented.

(a) Bases for the preparation

(i) When preparing the accompanying consolidated financial statements, the Company Management has complied with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter IASB) effective as of December 31, 2017.

(ii) The information contained in these consolidated financial statements is the responsibility of the Company Management, which expressly states having complied with full application of IFRS with no restrictions or reserves.

(iii) The consolidated financial statements have been prepared in historical cost terms, based on the accounting records kept by the Company, except for the following items.

- Derivative financial instruments at fair value through profit or loss, which have been measured at fair value
- Fixed assets shown at fair value

(iv) The accompanying consolidated financial statements are presented in U.S. dollars, and all of the values have been rounded to thousands, unless stated otherwise.

(b) New effective accounting standards

The standards that became effective for 2017 and now are applicable for the Company are summarized below, but they did not have material effect on the financial statements:

IFRS 10, IFRS 12 AND IAS 28 Amendments	Investment Entities (Published in December 2014 and effective in 2017)	Minor clarifications about the consolidation exception of invesment entities.
IAS 7 Amendments	Disclosure Initiative (Published in January 2017 and effective in 2017)	Additional Disclosure Requirements in order to improve information given to users about liabilities related to financing activities
IAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses (Published in January 2017 and effective in 2017)	Clarification of the principles established with respect to the recognition of deferred tax assets for unrealised losses
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate (joint business) (Published in September 2014, effective in 2017)	Clarification related to these operations results if business or assets are

(c) Use of estimates and judgments

The consolidated financial statements preparation requires that Management makes estimates and judgments to assess the balances of assets and liabilities, and of income and expenses, the amount of contingencies, and the exposure caused by significant events in the notes to the financial statements. The use of fair estimates is an essential part in financial statement preparation and does not undermine their reliability. The Company estimates and judgments are continuously evaluated and are based on historical experience and any information considered relevant. Should such estimates and judgments vary in the future because of changes in the premises that supported them, the corresponding balances of the financial statements will be corrected on the date on which changes in estimates and judgments occur. The estimates, related to the attached financial statements, are referred to:

- Allowance for bad debts,
- Value and impairment of financial investments in third parties
- Impairment of inventories,
- Useful life and recoverable amount of property, plant, equipment, mining tiles and concessions, exploration, development and stripping costs, net intangibles
- Determining the deferred income tax,
- The provision for the program of environmental remediation,
- Liabilities for mine closure,
- Measurement of fair value of financial assets and financial liabilities

(d) Basis for the consolidation

The consolidated financial statements include all the Company accounts as of December 31, 2017 and 2016. Subsidiaries are consolidated as from the date of acquisition, as this is the date on which the Parent Company takes control. The consolidated financial statements of the Subsidiaries have the same closing date as the Parent Company and are prepared considering the same accounting policies on a coherent and consistent basis. All common balances and transactions between them have been fully removed, including unrealized loss and gains resulting from intragroup transactions and dividends. The net profit or loss of the Company and Subsidiaries is attributed to shareholders, even if it means a debit balance.

A change in the percentage of interest in a subsidiary, which does not imply control loss, is shown as an equity transaction.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes assets, including goodwill and liabilities of the subsidiary
- Derecognizes conversion differences registered in the net equity
- Recognizes the fair value of the consideration received by the transaction
- Reclassifies to profit or loss the interest of the parent company in previously recognized items under other comprehensive income.

See the list of entities included in the consolidated financial statements in note 1(c).

(e) Transactions in foreign currency

- Functional and presentation currency

  To express its consolidated financial statements, the Company and subsidiaries have determined its functional currency based on the primary business environment in which it operates, which fundamentally influences the determination of goods prices it sells and the costs incurred to sell those goods. The consolidated financial statements are presented in U.S dollars, which is the Company's functional, other than the recording currency, i.e. the Sol. All transactions are measured in the functional currency and, conversely, foreign currency is any currency other than the functional currency.

- Transactions and balances in foreign currency

  Transactions in foreign currency are recorded in soles using the exchange rates prevailing on the day of the transaction. Balances as of December 31, 2017 and 2016 are valued at the exchange rate prevailing as of the fiscal year's closing date. The exchange rate differences existing between the exchange rate entered at the beginning of a transaction and the exchange rate used to settle the transaction or the exchange rate used at year closing are part of the financial revenues and expenses heading on the consolidated statement of income.

(f) Assessment of reserves and mineral resources

The Company and Subsidiaries compute their reserves using methods generally applied by the mining industry and according to international guidelines.

Reserves represent estimated quantities of proven and probable ore, which can be economically and legally extracted from mining concessions of the Company and Subsidiaries under the current conditions. Resources represent the measured and indicated quantities of ore with a lower degree of certainty, which is determined based on blocks of adjacent reserves and/or diamond drilling holes. The process to estimate the quantities of reserves and resources is complex and requires making subjective decisions at the time of assessing all of the geological, geophysical, engineering and economic information available. The estimates of reserves and resources may be reviewed due to, among other reasons, reviews of data or geological assumptions, changes in assumed prices, production costs, and exploration activity profit or loss.

Changes in estimates of reserves and resources may affect other accounting estimates, mainly useful life of mining units, which influences the depreciation of property, plant and equipment that are directly related to the mining activity, amortization of exploration and development costs, provision for closure of mining units, assessment of deferred assets recoverability, and period of amortization of mining concessions.

(g) Provision for closure of mining units

The Company and Subsidiaries recognize a provision for closure of mining units, which correspond to their legal obligation to restore the environment at completion of its operations. On the date of initial recognition of the liabilities resulting from this obligation, measured at the estimated discounted future value at their amortized cost, the same amount is simultaneously charged to mining titles and concessions, exploration, development and stripping costs in the consolidated statement of financial position.

Subsequently, the liability increases in each period considering the initial discount measurement and, in addition, the capitalized cost is depreciated based on the useful life of the related asset. When settling the liability, any gain or loss that may result is recorded by the Company and Subsidiaries. Changes in the estimated initial obligation and in the interest rates are recognized as an increase or decrease in the carrying amount of the obligation and related asset in accordance with IAS 16 "Property, plant and equipment". Any reduction in this provision and, therefore, any reduction in the related asset that may exceed the carrying amount of such asset is immediately recognized in the consolidated statement of other income.

If the review of the obligation estimate may result in the need to increase the provision and, consequently increase the carrying amount of the related asset. The Company and Subsidiaries take into consideration whether such increase corresponds to a sign of impairment of the asset as a whole, and if that is the case, tests of impairment required by IAS 36 "Impairment of Assets" are performed.

The provision as of the reporting date represents the best Management's estimate of the present value of future costs for the closure of mining units.

(h) Production unit method

Proven and probable reserves, as well as measured and indicated resources are used at the time of assessing the depreciation and amortization of specific assets of the mine. This results in charges for depreciation and/or amortization proportionate to the exhaustion of the remaining useful life of the mine production. Each useful life is estimated based on: i) physical asset limitations, and ii) new assessments of economically feasible reserves.

These computations require using estimates and assumptions, which include the amount of estimated reserves and estimates of future capital disbursements. Changes in the production unit methods adopted by the Company and Subsidiaries are accounted prospectively.

(i) Mining titles and concessions and exploration, development and stripping costs

Applying the policy of the Company and Subsidiaries for mine exploration and development costs requires Management's judgment to assess whether it is probable that economic benefits enter the Company and Subsidiaries because of future exploratory phases. The assessment of ore reserves and resources is a complex estimation process involving levels of uncertainty depending on their sub-classifications, and such estimates directly affect the classification between mine exploration and development cost and the period of amortization for the cost of development.

This policy requires that Management of the Company and Subsidiaries make certain estimates and assumptions about future events and specific circumstances to assess whether it is economically feasible to access, extract, process, and sell ore. Estimates and assumptions may change if there is new information available. If there is information available giving signs about the irrecoverability of certain disbursements that had been capitalized as development costs, they should be charged to the year profit or loss, in which the new information available is known.

In 2017, because of the ore price situation and of the downsizing and reduction of investment and expenses in the operations of the Company and Subsidiaries, they have recognized a reversion loss due to impairment of mine exploration and development costs (note 12).

(j) Depreciation of non-financial assets

The value of property, plant, equipment, intangibles, investment in associates and third parties is periodically reviewed to determine if any impairment exists, when there are circumstances showing that the carrying amount may not be recoverable. In case of signs of impairment, the Company and Subsidiaries estimate the assets recoverable amount and recognize a loss on impairment in the consolidated statement of income.

The recoverable value of an asset is the higher of its fair value less selling expenses and its value in use. The value in use is the present value of estimated future cash flows that will result from the continuous use of an asset, as well as from its disposal at the end of its useful life. Recoverable amounts are estimated for each asset or, if that is not possible, for the smaller cash-generating unit that had been identified. In case of a reduction of loss on impairment, assessed in prior years, an income is recorded in the consolidated statement of income.

The Company and subsidiaries have determined the value in use in the heading of property, plant, equipment, investments in associates and intangibles, through the present value of estimated future cash flows expected to receive from the continuous performance or exploitation of such assets. Projections of future revenues flows that was basis for determining recoverable amount in use of these assets have the following variables: discount rate, projection of prices, resources and reserves, production, costs and expenses.

In 2017, the Company and Subsidiaries have recognized a loss on impairment in the value of certain fixed assets (note 11).

(k) Start date of production

The Company and Subsidiaries assess the situation of each developing mine to determine when the production stage begins. The criteria used to assess the start date are determined based on the nature of each mining project, the complexity of the respective facility and its location. The Company and Subsidiaries consider different criteria relevant to assess when the mine is substantially complete and ready for its planned use. Some of these criteria include, but are not limited to:

- The level of capital expenses compared to estimated development costs.
- Termination of a reasonable period to test the mine plant and equipment.
- The capacity to produce tradable metal (within the specifications).
- The capacity to maintain a continuous production of metals.

When a mine development project enters the production stage, the capitalization of certain costs ceases and are considered as inventory or expenses, except in the case of costs that qualify for their capitalization (additions or improvements of mining assets), underground mine exploitation or exploitable reserve exploitation. It is also the time the depreciation or amortization starts.

(l) Recovery of deferred tax assets

An assessment is required to determine whether the deferred tax assets should be recognized in the consolidated statement of financial position. Deferred tax assets require that Management assesses the likeliness that the Company and Subsidiaries generate taxable profit in future periods to use the deferred tax assets. Estimated future taxable income is based on operations cash flow projections and the application of current tax regulations in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, this may have an impact on the capacity of the Company and Subsidiaries to realize the net deferred tax assets recorded on the reporting date.

(m) Financial instruments

Financial instruments are agreements that give rise at the same time to a financial asset in one entity and to a financial liability or equity instrument in another. In the case of the Company and Subsidiaries, financial instruments correspond to primary instruments, such as cash and cash equivalent, accounts receivable, accounts payable and financial derivatives. When first recognized, financial instruments are measured at their fair value, plus any costs directly related to the transaction. If financial instruments are negotiated in an active market, the reference is the prices quoted at the market. If prices are not quoted at an active market, the fair value is determined through valuation techniques, which include the use of recent transactions at market price, the current fair value of another substantially similar financial instrument, and the analysis of discounted cash flows, among others.

(n) Classification, recognition and valuation of financial assets

Four categories have been established for the classification of financial assets: at fair value through profit or loss, loans and accounts receivable, financial assets held to maturity and financial assets available for sale. For the Company, the following items apply:

(i) Assets at fair value through profit or loss, including cash, cash equivalent and derivatives

Cash is a financial asset because it represents a means of payment and is therefore the basis used to measure and recognize all transactions on the financial statements. Cash equivalents are investments (deposits in installments highly liquid at the short term).

This category is made up to two subcategories: financial assests acquired for negotiation and financial assets at fair value through profit or loss as from their initial recognition.

Derivative instruments are considered as financial instruments acquired for negotiation, except those designated as hedging instruments. A financial asset is designated as the fair value through profit or loss if it is part of a portfolio of assets which performance is measured and assessed under the fair value criterion.

Implicit derivatives in the trading contracts are accounted separately and at fair value if the economic and risk environment have not relation to the trading contract and do not appear as financial assets at fair through profit or loss. The gains and losses of these derivatives affect the consolidated statement of income.

(ii) Loans and accounts receivable

They are non-derivative financial assets with fixed or assessable payments that are not listed in an active market. They originate when the Company and Subsidiaries provide directly a debtor with money, goods and services with no intention of trading the account receivable. They are included under current assets except for those with maturity dates of more than twelve months as from the date of the statement of financial position, which are classified as non-current assets. Loans and accounts receivable include trade accounts receivable and various accounts receivable in the statement of financial position. These financial instruments are not written off until the risk inherent to their title has been transferred, their collection rights have expired, or no control is held anymore. Initial recognition of accounts receivable is at fair value, subsequently they are kept at amortized cost using the effective interest rate method, less allowance for bad debts. The amortized cost is calculated considering any discount or incurred prime, commissions and costs, which constitute an integral part of the effective interest rate. Loss originated by impairment is recognized in the statement of income in the “allowance for doubtful accounts” heading.

(iii) Financial assets held to maturity. This category includes the deposits in installments.

Up to December 31, 2016, they were non-derivative financial assets which collection are of fixed or determinable claims with fixed maturity. The Company and Subsidiaries have both the effective intention and financial capacity to keep them until their expiration. After initial recognition, investments held to maturity are then brought to amortized cost using the effective interest rate method, less the provision on impairment. The amortized cost is calculated considering any discount or incurred prime, commissions and costs, which constitute an integral part of the effective interest rate. Loss originated by impairment is recognized in the statement of income in the “allowance for fluctuation of values” heading.

(iv) Financial assets available for sale include investments in third parties accounted at fair value.

Investments available for sale have been acquired to keep them for an indefinite time. However, they can be sold due to the need of liquidity or changes in the interest rate, exchange rates or in capital price. After initial recognition at cost, investments available for sale are measured at fair value and subsequent changes of this fair value are accounted in the consolidated statement of income.

Fair value of investments available for sale is determined based on the quotations in active markets or, in their absence, based on the valuation techniques consisting in the use of financial projections, present value of flows, among others. Dividends in cash earned during the time the investments available for sale is kept, are recognized in the consolidated statement of income, in the heading “Dividends received from investments overseas” when the payment right is established.

(ñ) Classification, recognition and valuation of financial liabilities

For financial liabilities, two categories have been established: at fair value through profit or loss and those recorded at amortized cost. The Company and subsidiaries applies the following:

Financial liabilities at fair value through profit or loss include the accounts payable generated from derivatives and those liabilities issued with the purpose of trading. The value of free transaction between the parties is measured and any variation is shown in the year profit or loss.

Financial liabilities at amortized cost include overdrafts, financial obligations, trade accounts payable and various accounts payable. They are recognized at their cost plus transaction costs directly attributable to the purchase as the Company is a party to the financial instrument contracting agreements. The method use is the effective interest rate.

As of December 31, 2017 and 2016, the Company and Subsidiaries have not recorded any financial liabilities at fair value through profit or loss.

(o) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when there is legal right to set them off and Management has the intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(p) Write-off of financial assets and financial liabilities

Financial assets -

A financial asset is written off in any of the following circumstances: (i) the rights to receive the cash flows generated by the asset have expired; (ii) the Company and Subsidiaries have transferred its rights to receive cash flows from the asset or has undertaken an obligation to pay all of the received cash flows immediately to a third party under an assignment agreement, or (iii) the Company and Subsidiaries have transferred substantially all risks and benefits from the asset or otherwise transferred their control.

Financial liabilities -

A financial liability is written off when the payment obligation has been extinguished or cancelled, or has expired.

When an existing financial liability is replaced by another one of the same lender under significantly different conditions, or the conditions are materially modified, such replacement or modification is treated as a write off of the original liability, recognizing the new liability and showing the difference between them in the statement of income, in the heading of financial revenues (expenses), as appropriate.

(q) Impairment of financial assets

The Company and Subdiaries evaluates on the date of each statement of financial position whether there is evidence that a financial asset or group of financial assets are impaired. This impairment results from one or more events subsequent to the asset initial recognition and when its impact has an adverse effect on the estimated projected cash flows for the financial asset or group of financial assets and can be reliably estimated.

For accounts receivable that are registered at amortized cost, Company and subsidiaries first make an individual evaluation on whether there is objective evidence of impairment for financial assets that are individually significant; while for those that are not individually significant, a collective evaluation is made. If there is objective evidence that loss on impairment has been incurred, the amount of loss is quantified as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset, if applicable. The Company and Subsdiaries consider as impaired all due items for which collection arrangements have been made with no results, and are not refinanced as of this date.

The carrying amount of accounts receivable is affected through an allowance account, and the loss amount is recognized in the statement of income. Accounts receivable, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If in a subsequent year the estimated amount of the loss on impairment increases or decreases, due to an event occurring after impairment is recognized, the previously recognized loss on impairment increases or decreases adjusting the allowance account. If a written off asset is later recovered, the recovery is credited to the consolidated statement of income, heading various revenues (recovery of written-off accounts receivable).

(r) Derivative financial instruments

The Company and Subsidiaries use derivative financial instruments to reduce the risk of variation in the international prices of the commodities traded by them.

Derivatives that do not qualify as hedging instruments -

Derivative contracts are recognized as assets and liabilities at fair value in the statement of financial position. Any changes in the fair value of derivative contracts that do not qualify as hedging instruments are recorded in consolidated statement of income.

The Company and Subsidiaries have derivative financial instruments in the following categories:

Tradable:

Derivative financial instruments are initially recognized in the statement of financial position at cost and then are registered at fair value. Fair values are obtained based on the exchange rates and market interest rates. All derivatives are considered as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and loss due to changes in the fair value are registered in the consolidated statement of income.

Hedgings:

The Company and Subsidiaries use the derivative instruments to administer its exposure to interest tares and foreign currency.

At the beginning of the hedging relation, the Company formally documents the relation between the hedged ítem and the hedging instrument, including the nature of risk, the objective and the strategy for carrying out the hedging and the method that will be used to value the effectiveness of the hedging relation.

Also, at the beginning the hedging relation, a formal retrospective assessment is conducted to ensure that the hedging instrument is highly effective to outweigh the risk designed in the hedged good.

Classification of hedgings as per IAS 39:

ii.1) Hedging of currency qualified as hedging of cash flows:

The Company and Subsidiaries uses derivative financial instruments, mainly forward of currencies in order to reduce the exchange rate risk. A forward transaction of currencies is an agreement between two parties, by which two economic agents are obliged to exchange, in a future established date, a determined amount of a currency in exchange of another, at an agreed future exchange rate that reflects the rates spread.

The gain and loss generated by the hedging instrument of cash flows, which was designated as efficient, will be recognized in other comprehensive income and net equity in the heading unrealized profit or loss up to their liquidation. If designated as inefficient, the gain or loss generated by the instrument will be recognized in the year profit or loss in the heading of financial revenues. A hedging is highly efficient if the correlation between the fluctuation in fair values of the derivative and the underlying fluctuates between 80% and 125%.

ii.2) Implicit derivatives

Certain derivatives incorporated in other financial instruments are treated as separate derivatives when their economic characteristics and risk are not closely related to the ones of the main contract and such contracts is not brought to fair value through profit or loss. These implicit derivatives are measured at fair value, being the changes at fair value recognized in the statement of income unless the Company and Subsidiaries choose to designate the hybrid contracts at fair value through profit or loss in the consolidated statement of income.

(s) Offsetting of financial instruments

Financial assets and financial liabilities are offset when there is legal right to set them off and Management has the intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(t) Fair value of financial instruments

The fair value of financial instruments traded in active markets on each reporting date is assessed by reference to prices quoted in the market or stock brokers' price quotations (purchase price for long positions and selling price for short positions), with no deduction for transaction costs.

In the case of financial instruments that are not traded in an active market, the fair value is assessed using suitable valuation techniques. Such techniques may include comparing with recent market transactions, reference to the present fair value of another instrument that is substantially equal, the analysis of adjusted flow of funds or other valuation models.

There have been no changes in the valuation techniques as of December 31, 2017 and 2016. (See Note 31).

(u) Cash and cash equivalents

This account shown in the consolidated statement of financial position includes all cash balances and mutual funds.

On the other hand, for presentation purposes cash and mutual funds are included in the separate statement of cash flows.

(v) Inventories and allowance for impairment

Inventories are valued at the lesser of their cost or net realization value following the average cost method, except for inventories in transit, which are valued at their specific cost. The net realization value is the regular sales price less the cost incurred to have them ready for sale, including commercialization and distribution expenses. Allowance for impairment is charged to the year profit or loss and is determined comparing realization value and carrying amount.

The cost of concentrates and raw material (extracted material) includes the cost of contractors' services, consumption of materials and supplies, cost of direct labor, other direct costs and manufacturing general expenses (based on the regular operation capacity established as the present production) and excludes financing expenses and exchange differences.

Ore inventories are measured estimating the number of added or removed tons. Head grade is computed based on essay measurements and the percentage of recoverability based on the expected processing method.

Tons of concentrate are verified with counts made from time to time.

Supplies are registered at the acquisition cost, following the average cost method. Allowance for impairment is determined in connection to the analysis carried out on the inventories conditions and turnovers.

(w) Investment in third parties

Investments in third parties are recorded at cost (including the transaction costs being directly related to such purchase). Dividends received in cash or in shares are recognized as revenues in the year of the distribution or capitalization agreement, as applicable.

Allowance for securities fluctuation results from comparing their carrying amount with their equity value.

(x) Property, plant and equipment

They are presented at their cost of acquisition, less accumulated depreciation and the accumulated amount of loss on impairment, except for lands of subsidiary Terminales Portuarios Chancay S.A. which are presented at fair value. The historic cost of acquisition includes the disbursements directly attributable to the acquisition of assets.

Maintenance and major repairs -

Major maintenance or repair expenses include the cost of replacement of assets or parts of assets and the overhaul costs. Disbursements are capitalized when an asset or part of an asset, which was separately depreciated and which carrying amount was removed from the books, is replaced and the future economic benefits associated with such asset or part of asset are likely to flow to the Company and Subsidiaries during an additional useful life period.

When the replaced part of the asset was not considered as a separate component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other daily maintenance costs are recognized as expenses as they are incurred.

Assets in construction stage, units in transit and replacement units are capitalized as separate components. Upon completion, the cost of these assets are transferred to their definite category. These assets are not depreciated.

An item of fixed assets or a significant component is removed when disposed or when it is not expected economic benefits of its use or subsequent disposal. Any gain or loss arising at the time of removing the fixed assets (computed as the difference between the revenues from sale and carrying amount of the assets) is included in the consolidated statement of income in the year the assets are removed.

Once the property, plant and equipment have been sold or removed, the Company and Subsidiaries delete the respective cost and accumulated depreciation. Any loss or gain on their disposal is included in the consolidated statement of income.

At the end of every year, residual value, useful life, and depreciation and amortization methods are prospectively reviewed and adjusted, as appropriate,

Depreciation –

Production unit method

Depreciation of buildings and other mining constructions is computed based on economically recoverable and measured and indicated resources of the mining unit.

Units of production are measured in recoverable metric tons of lead, copper and zinc. The depreciation ratio per production units takes into consideration the expenses disbursed to date.

Straight-line method

Depreciation of other assets is computed following the straight-line method based on the lesser of estimated useful life of the asset or remaining useful life of the mining unit. Useful lives used include:

	Useful life
Buildings and other constructions	Up to 33 years
Infraestructure of environmental compliance program	Up to 10 years
Machines and equipment	Up to 10 years
Transportation units	Up to 5 years
Furniture, fixture and computer equipment	Up to 10 years
Various equipment	Up to 10 years

(y) Mining titles and concessions, and exploration, development and stripping costs

Mining titles correspond to ore reserves and costs for the acquisition of mining concessions occurred in prior years. Mining titles represent title that the Company and Subsidiaries have on mining properties containing the acquired ore reserves. Mining titles that are related to ore reserves are amortized following the production unit method based on proven and probable reserves as well as measured and indicated resources.

Mining concessions correspond to exploration titles in zones of interest for the Company and Subsidiaries. Mining concessions are capitalized in the consolidated statement of financial position and represent the title that the Company and Subsidiaries have on mining properties of geological interest. Mining concessions are amortized as from the production phase based on the production unit method, using proven and probable reserves and measured and indicated resources together with future development expenses approved by Management of the Company and Subsidiaries. In case the Company and Subsidiaries abandon such concessions, associated costs are written off in the consolidated statement of income.

At the end of each year, for each cash-generating unit, the Company and Subsidiaries assess whether there is any sign of impairment of their mining titles. If such sign exists, the Company and subsidiary make an estimate of the recoverable amount of the assets.

Exploration and development costs

Exploration costs are capitalized only to the extent to which they are estimated to be economically recoverable through successful exploitation in the future or, when the activities in the area of interest are in progress and no such a stage has been reached that allows making a fairly assessment on whether economically recoverable reserves exist. These costs include mainly used materials and fuel, topographic survey costs, drilling costs, and payments made to contractors. For that purpose, economically recoverable benefits of exploration projects can be duly assessed when any of the following conditions are met: i) the Board of Directors authorizes Management to perform the project feasibility study, and ii) the exploration objective is to convert resources in reserves or confirm resources. Exploration costs in operating zones incurred in evidencing potential resources are charged to operating costs. Exploration costs are amortized just like development costs.

Costs associated with the mine development stage are capitalized. Development costs needed to maintain production are charged to the period profit or loss as they are incurred.

Development costs are amortized as from production begin and amortized using the production unit method. Development costs are amortized based on proven and probable reserves, and on measured and indicated resources to which they are related, together with future development expenses approved by Management of the Company and Subsidiaries.

Stripping cost

Stripping costs incurred in the development of a mine before production begin are capitalized as part of the mine construction cost and subsequently amortized along the useful life of the mine based on production units.

When a mine operates various open pits which are considered as separate operations for mining planning purposes, stripping costs are accounted separately by reference to the ore of each separated pit. However, if pits are much integrated for mining planning effects, the second pit and subsequent pits are considered as extensions of the first pit when accounting the stripping costs. In such cases, the initial stripping (for instance, the removal of waste rock and other waste material) of the second pit and subsequent pits is considered as stripping of the production phase related with the combined operation.

Stripping costs incurred subsequently during the operation production phase are deferred in the most appropriate form to agree the cost with the related economic benefits. The amount of deferred stripping costs is based on the mine average stripping ratio, which is obtained dividing the mined wasted rock tonnage by the amount of mined ore. Stripping costs incurred in the period are deferred to the extent that the ratio of the period in course exceeds the life of the mine stripping ratio. Such deferred costs incurred are then charged to profit or loss to the extent that, in subsequent periods, the ratios of the period in course are below the mine average ratio. Mine average stripping ratio is based on proven and probable reserves, and measured and indicated resources that are economically recoverable. Changes are accounted prospectively as from the date of the change.

Intangibles

Intangibles part of the heading mining titles and concessions and exploration, development and stripping costs. They are accounted at their initial cost less accumulated amortization and later less any accumulated loss on impairment. In their initial recognition, the Company and subsidiary assess whether the useful life of intangibles is definite or indefinite.

Intangibles with a definite useful life are amortized using the straight-line method based on their estimated useful life. The amortization period and method are reviewed at the end of every year. Intangibles with undefinite useful life are not amortized, the existence of signs of impairment is rather assessed, whether individually or by cash generating unit.

The cost of acquiring new software is activated and classified as an intangible, if such costs are not part of the related hardware. Software is amortized using the straight-line method in a period of 10 years.

(z) Leasings

Assessing whether an agreement is or contains a lease is made based on the substance of the agreement on the date it becomes effective. It is necessary taking into consideration whether the agreement compliance depends on the use of a specific asset or assets or whether the agreement transfers the right to use the asset. After starting the leasing, an asset can be only revalued if one of the following applies:

(i) There is a change of the contract terms other than the renewal or extension of the contract.

(ii) A renewal option was exercised or an extension was granted unless the renewal or extension are stipulated in the contract terms.

(iii) There is a change when determining if the compliance depends on a specific asset; or

(iv) There is a substantial change in the asset.

If a revaluation is carried out, the lease accounting will begin or cease as from the date the circumstances change generates the revaluation in the case of scenarios (i), (iii) or (iv) and in the renewal date or extension period beginning for scenario (ii).

Financial leasing

In financial leasing transactions the method used consists of showing under fixed assets the total cost of the agreement and its corresponding liability for the same amount, equal to the fair value of the leased good, or if lower, at the present value of the leasing minimum payments, as assessed at the start of the leasing. Financial expenses are charged to profit or loss in the period in which they are accrued and depreciation of assets is recorded based on their estimated useful life.

(ab) Provisions

A provision is recognized only if, as a result of past events, the Company has a present (legal or implicit) obligation, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the obligation amount. Provisions are periodically reviewed and adjusted to reflect the best estimate available as of the date of the statement of financial position. The expense associated to a provision is shown in the statement of income. When they are significant, provisions are deducted at their present value using a rate, which reflects the specific risks to the liability. When the deduction is made, the increase in the provision over time is recognized as a financial expense.

Provision for restoration of the environment and the closure of the mining unit

The Company and Subsidiaries recognizes a provision for restoration of environment and closure of the mining unit corresponding to its legal obligation to restore the environment when finishing obligations. On the date of initial recognition of the liabilities arising from this obligation, measured at the estimated future value discounted to its present value, simultaneously the same amount is charged to the account of property, plant and equipment of the consolidated statement of financial position.

Then, the liabilities increases in each period to reflect the financial cost considered in the initial measurement of discount, and in addition, the capitalized cost is depreciated based on the useful life of the related assets. When settling the liability, the Company and Subsidiaries recognize any earn or loss that may generate. Changes in the estimate of initial obligation and interest rates are recognized as an increase or decrease of the carrying amount of the obligation and of the assets related following the criteria of IAS 16 “Real Estate, Machines and Equipment”. Any reduction in this provision, and thus, any reduction is immediately recognized in the consolidated statement of income.

If the review of the estimated obligation results in the need of increasing the provision, and thus, also increasing the carrying amount of the assets related, the Company and Subsidiaries take into account if this increase corresponds to a sign that the assets was fully impaired or if any, proceed to make tests of impairment required by IAS 36 “Impairment of Assets”.

(ac) Capital

Common shares are classified under equity. Incremental costs directly attributable to the issue of new shares or options are shown under equity as a deduction from the proceeds, net of taxes. When any subsidiary of the Company acquires shares of the Company (treasury shares), the payment made, including any cost directly attributable to the transaction (net of taxes) is deducted from equity attributable to the holders of the share capital of the Company and Subsidiaries until such shares are paid up, placed or sold. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the holders of the equity of the Company and Subsidiaries.

(ad) Payment of dividends

Payment of dividends to the shareholders of the Company and Subsidiaries is recognized as a liability in the consolidated financial statements in the period in which dividends are approved by the shareholders of the Company and Subsidiaries.

(ae) Recognition of revenues

Recognition of revenues from sales of concentrates

Revenues from the sale of concentrates is recognized when the significant risks and benefits inherent to their title are transferred to the purchaser, which takes place at the time of physical ore delivery according to the means of delivery provided in commercial agreements.

As for the measurement of revenue from the sale of concentrates, on the date of recognition of the sale, the Company and Subsidiaries recognize the revenue from the sale based on a provisional selling value, according to quotations on such date; and such sales are subject to a final price adjustment at the end of a contractually established period, usually ranging between 30 and 180 days upon delivery of the concentrate to the customer. Exposure to metals price change generates an embedded derivative that should be separated from the commercial agreement. For this purpose, at the closing of each year, the initially used selling price is estimated according to the future price for the quotation period provided in the agreement. Thus, the difference in estimating the selling value is recorded as an increase or reduction in net sales.

Recognition of revenues from interests, dividends and exchange rate difference -

Revenues from interests are recognized proportionate to the elapsed time, using the effective interest method. When a loan or accounts receivable are depreciated or impaired, the Company and Subsidiaries reduces the carrying amount to its recoverable amount, being the future cash flows discounted to the original interest rate.

Dividends are recognized on the date of the shareholder right to receive the payment is established.

Exchange rate differences corresponding to the adjustment of monetary items represented in foreign currency, which are favorable to the Company and Subsidiaries, are recognized as financial revenues when the exchange rate fluctuates.

(af) Recognition of costs, exchange differences, expenses and interests

The cost of sales correspond to the production cost of products traded by the Company and Subsidiaries when delivered to the client.

Interests are recognized proportionate to the elapsed time so that they reflect the effective cost of the financial instrument.

Exchange rate differences corresponding to the adjustment of monetary items represented in foreign currency, which are not favorable to the Company and Subsidiaries, are recognized as financial expenses when the exchange rate fluctuates.

Other expenses are recognized when accrued.

(ag) Financing costs

Financing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalized and added to the cost of the project up to the moment in which assets are considered substantially ready for their planned use, that is, when they are able to generate commercial production. When specific-purpose loans had been requested in a project, the capitalized amount represents the actual costs incurred to obtain the loan. When surplus funds are available in the short term from the specific-purpose loan, any gain on the temporary investment is capitalized and deducted from the total borrowing cost. When the funds used to finance a project are part of the general borrowing, the capitalized amount is computed using the weighted average of the rates applicable to the general borrowing of the Company and Subsidiaries during the period. All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

(ah) Income tax

The income tax includes a current and deferred component:

Current

Current income tax is the amount payable to the tax authority. It is computed on the tax base amount for tax purposes.

Deferred -

Deferred income tax is computed following the balance sheet liability method, which consists of determining the temporary differences between financial and tax assets and liabilities, and applying to such differences the income tax rate.

Deferred assets are recognized for all deductible differences and tax loss carryforward, to the extent it is likely that there will be taxable income against which differences temporary deductible can be offset and carried forward tax losses can be used.

Deferred liabilities are recognized for all taxable temporary differences, except for such taxable temporary differences related to investments in subsidiaries, where the time for temporary difference reversions can be controlled and it is likely that temporary differences will not be reversed in a near future.

The carrying amount of deferred assets is reviewed each day of the statement of financial position and is reduced to the extent it is unlikely that there will be enough taxable income against which all or part of the deferred assets can be offset. Unrecognized deferred assets are revalued on each date of the statement of financial position and are recognized to the extent it is likely that future taxable income allows the deferred assets recovery. Deferred assets and liabilities are recognized without disregarding the time when it is estimated the temporary differences are off.

Deferred assets and liabilities are measured using the legal rates expected to be applicable in the year in which assets are recovered or liabilities are settled, based on promulgated or substantially promulgated rates on the date of the statement of financial position.

Deferred assets and liabilities are offset if there is a legal right to offset current taxes against the current liabilities and deferred taxes related to the same entity and the same tax authority.

Mining royalties and special tax on mining

Mining royalties and special tax on mining are accounted when they have the characteristics of an income tax. That is, when they are imposed by the Government and are based on a net amount (income less expenses), rather than being computed based on produced quantity or percentage of income, after temporary differences adjustment.

Consequently, payments made by the Company and Subsidiaries to the Government for mining royalties and special tax on mining should be considered and treated as if they were an income tax.

(ai) Contingencies (Note 30)

Contingencies are assets or liabilities that result from past events, which existence will be confirmed only if future events somehow beyond the Company control actually happen.

Contingent assets are not recorded in the financial statements, but are revealed in notes when their degree of contingency is likely.

Contingent liabilities are not recorded in the financial statements, and are disclosed in notes to the financial statements only when a potential obligation exists.

(aj) Basic and diluted profit per share

Basic profit per share results from dividing the net result attributable to the shareholders by the weighted average number of common and investment shares outstanding in the period, including shares resulting from the restatement to constant currency.

Diluted profit per share results from dividing net profit or loss attributable to the shareholders by the weighted average number of outstanding common and investment shares and potential shares that may have been issued in the period.

(ak) Segments

An operating segment is a component of an entity: (i) that develops business activities from which it can obtain revenue and incur in expenses (including related revenue and expenses for transactions with other components of the same entity), (ii) which operating profit or loss is regularly reviewed by Management to make decisions about the resources that should be allocated to the segment and assess its performance, and (iii) for which confidential financial information is available. See Note 29.

(al) Employee benefits

The Company and Subsidiaries have short-term obligations for employee benefits including salaries, compensation for time worked, salary-related contributions, legal bonuses and profit sharing. These obligations are recorded on a monthly basis charged to the consolidated statement of income as they accrue.

(am) Classification of items under current or non-current

The Company and Subsidiaries show its assets and liabilities in the statement of financial position, classified under current or non-current. An asset is classified as current when:

- The entity expects to realize the asset or has the intention of selling it or consume it in its normal cycle of operation:
- The entity keeps mainly the asset for business purposes.
- The entity expects to realize the asset within the following twelve months on which it is informed.
- The asset is cash or cash equivalent, unless it is restricted and cannot be exchanged nor used to settle a liability for a minimum period of twelve months after the period on which it is informed.

Todos los demás activos se clasifican como no corrientes.

A liability is classified as current when:

- The entity expects to settle the asset in its normal cycle of operation.
- The entity keeps mainly the liability for business purposes.
- The liability should be settled within the following twelve months of the period of which it is informed.
- There is no unconditional right to postpone settling the liability during at least twelve months after the period on which it is informed.

Every other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets in all cases.

3. TRANSACTION IN THOUSANDS OF SOLES

Transactions in foreign currency (in thousands of soles) are made at the exchange rates published by the controlling shareholder “Glencore”. As of December 31, 2017, the only exchange rate to value the assets and liabilities was of US$ 0.3087 (US$ 0.2983 for buying and US$ US$ 0.2976 for selling transactions as of December 31, 2016), which have been applied by the Company and Subsidiaries in assets and liabilities accounts, respectively.

As of December 31, 2017 and 2016, the Company and Subsidiaries had the following assets and liabilities in thousands of soles:

	2017	2016
Assets		
Cash and cash equivalent	43,164	57,025
Trade accounts receivable, net	990	1,310
Other accounts receivable	188,940	330,222
	233,094	388,557
Liabilities		
Bank overdrafts	(8)	(25,488)
Financial obligations	(197,790)	(380,910)
Trade accounts payable	(112,983)	(119,176)
Other accounts payable	(203,648)	(109,512)
	(514,429)	(635,086)
Net liabilities	(281,335)	(246,529)

4. TRANSACTIONS NOT GENERATING FUNDS MOVEMENT

In 2017

- Additions of mining closure for US$ 65,468 thousand
- Acquisition of assets in financial leasing for US$ 339 thousand.

In 2016

- Decrease of mining closure for US$ 1,485 thousand
- Acquisition of assets in financial leasing for US$ 237 thousand.

5. CASH AND CASH EQUIVALENT

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	2017	2016
Cash and fixed funds	37	48
Bank checking accounts (a)	100,933	96,438
Deposits in installments	-	37,261
Mutual funds	442	6,795
Funds susbject to restrictions	417	403
	101,829	140,945

(a) The Company and Subsidiaries maintain their checking accounts in local currency and in U.S. dollars in different local and foreign financial entities. They are freely available and accrue no interests.

6. FINANCIAL INVESTMENTS

As of December 31, 2017 and 2016, they correspond to 4,056,643 shares of Cementos Polpaico. These shares are listed in the Chilean Stock Exchange and their quotation at the 2017 end amounts to $7,942 Chilean Pesos per share (equivalent to US$ 0.0017 per peso).

7. TRADE ACCOUNTS RECEIVABLE, NET

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	2017	2016
From third parties		
Invoices	69,482	77,562
Allowance for doubtful accounts (a)	(17,601)	(17,601)
Adjustment of sales	(220)	9,160
	51,661	69,121
From related companies		
Invoices	10,191	-
	61,852	69,121

Accounts with third parties and related companies have current maturity, accrue no interests and lack specific guarantees. Accounts due or to fall due are being collected in the first quarter of the following year. The Company and Subsidiaries present a breakdown of accounts receivable by aging in Note 31 (b).

(a) As of December 31, 2017 and 2016, Management of the Company and Subsidiaries considers that, except for accounts receivable with an allowance as doubtful accounts, they have no bad debts. Their main customers are well renowned in the international market and show no financial problems at the year ending. Furthermore, although it has some accounts receivable that are 90 and 180 days old, this is regular in the mining sector because final settlement agreement may take between three and six months once the ore is shipped.

In the opinion of Management the Company and Subsidiaries, allowance for doubtful accounts is enough to hedge the risk of failure to pay as of the date of the consolidated statement of financial position.

8. OTHER ACCOUNTS RECEIVABLE

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	2017	2016
General Sales Tax, fiscal credit in favor of the Company and Subsidiaries	87,841	123,950
Loans to third parties (a)	24,506	51,671
Sales of shares CEC (b)	20,000	20,000
Income tax and temporary tax to net assets of the Company and Subsidiaries, to apply (c)	12,977	15,470
Advances granted to contracter	6,604	16,793
Claims to the National Superintendence of Tax Administration - SUNAT due to seizures	4,531	4,379
Accounts receivable to contractors	4,153	7,325
Insurance Indemnity	3,866	-
Public works per taxes, in process (d)	3,728	4,546
Prepaid insurances	3,473	6,207
Taxes to recover (e)	3,378	7,322
Corporación Minera Castrovirreyna	3,058	2,853
Commission per issue of bonds	1,865	2,320
Deferred costs and expenses	1,631	3,453
Loans to personnel (f)	1,234	1,630
Deliveries to account for	254	453
Loan to related companies	-	107,716
Claims to the Environmental Organism of Assesment and Inspection	-	2,891
Certificate of Local Regional Public Investment	-	1,051
Other minor	9,677	7,266
	192,776	387,296
Allowance for doubtful accounts (g)	(28,469)	(6,604)
	164,307	380,692
Non-current portion	3,378	30,213
Current portion	160,929	350,479

(a) They accrue interests at the market rate and have current maturity. The Company and Subsidiaries have considered providing US$ 11,197 thousand as doubtful account according to the assessment of uncollectability risk.

(b) The balance of US$ 20 million corresponds to the balance receivable from the sale of Compañía Energética del Centro S.A.C. that was made in June 2014, the subsidiary Compañía Minera Chungar S.A.C. to Odebrecht Energía del Perú S.A. The Company and Subsidiary has considered providing US$ 10,000 thousand as doubtful account, for the position in such company in the country.

(c) They mainly correspond to the balance of payments on the account of income tax that will be applicable as from 2018 and corresponding payments of temporary tax to net assets that will be applicable as from 2018.

(d) They correspond to the pending certificate to apply of the concluded works by taxes. The Company and Subsidiaries continued participating in the elaboration of projects under the outline of Law 29230 of works per taxes. In 2017 Volcan Compañía Minera continued boosting actively the program of works per taxes. The project "Improvement and extensión of the trading services of the municipal market of groceries in the District of Chancay – Huaral - Lima" was adjudicated; with code SNIP N° 108499, which will be financed with S/ 22 million of soles by the company and will benefit 85 thousand people that soon will be able to acquire and trade their products in a competitive way and in a healthy secure, clean, and arranged environment.

(e) They mainly include applications of return to the tax administration for the following quantities: In the company, income tax of year 2001 for US$ 605 thousand and in the subsidiary, Empresa Administradora Chungar S.A.C., for the balance in favor of the exporter, general sales tax of US$ 2,466 of April, June, July, August, September y December of 2004. In the opinion of the company and its legal advisors, the application will result in favor of the companies. This balance has non-current maturity.

(f) These loans generate interests at an annual 3% rate

(g) In the opinion of the Company Management and subsidiaries, the allowance for doubtful accounts is sufficient to cover the risk of failure on the date of the statement of financial position. During 2017, an allowance for US$ 21,865 thousand, was recognized mainly related to advances granted and loans.

The company and Subsidiaries present an analysis of other accounts receivable classified by aging in the Note 31 (b).

9. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

Receivable:

	2017	2016
Implicit derivatives	4,316	4,953
Derivative financial instruments:		
Liquidated	12,787	16,623
Provisions in the statement of income	29,541	42,831
Provisions in the equity (Note 19 (b))	126	-
	42,454	59,454
	46,770	64,407
Less non-current portion:		
Liquidated	-	(849)
Provisions in the statement of income	-	(20,310)
Non-current portion	-	(21,159)
Current portion	46,770	43,248

Hedging contracts were mainly negotiated with various first level international financial entities. Among the main ones are Bank of America Merril lynch, J. Aron & Co., Societe Generale / New York, JP Morgan, Standard Bank Pic, BNP Paribas New York, Natixis, Cargill Incorporated, and Macquarie Bank Limited.

Payable:

	2017	2016
Implicit derivatives	1	3,247
Derivative financial instruments:		
Liquidated	43,193	65,230
Provisions in the statement of incomes	7,706	14,821
Provisions in the equity (Note 19 (a))	29,220	-
Prepaid contracts	46,500	46,500
	126,620	126,551
	126,620	129,798
Less non-current portion:		
Liquidated	-	(24,570)
Non-current portion	-	(24,570)
Current portion	126,620	105,228

10. INVENTORIES, NET

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

Description	2017	2016
Concentrates	10,734	8,046
Raw material (extracted ore)	16,395	27,079
Various supplies	58,833	55,972
Inventories in transit	1,089	464
Valuation of pyrite stockpiles	7,752	7,752
	94,803	99,313
Allowance for obsolescence of spare parts and supplies	(23,131)	(8,760)
	71,672	90,553

In the opinion of the Company Management, according to the conducted assessment, in 2017 an allowance for obsolescence of spare parts and supplies of US$ 14,371 thousand was recorded.

11. PROPERTY, PLANT AND EQUIPMENT, NET

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

2017	INITIAL BALANCES	ADDITIONS	WRITE-OFFS	TRANSFER	INCORPORATION OF NEW SUBSIDIARIES	REVALUATION (a)	ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
COST OF:								
Lands	7,751	20,299	-	5,732	4,774	66,034	(9,131)	95,459
Buldings and other constructions	787,249	12,995	(4,039)	109,988	1,548	-	(128,822)	778,919
Infraestructure of enviromental compliance program	22,874	-	-	(28)	-	-	(554)	22,292
Machines and equipment	303,219	5,006	(21,175)	1,517	840	-	(4,085)	285,322
Transport units	11,999	451	(535)	-	-	-	(212)	11,703
Furniture and fixture and computer equipment	13,284	281	(68)	-	51	-	(60)	13,488
Various equipment	430,822	9,547	(31)	276	211	-	(19,571)	421,254
Units in transit	1,059	7,929	-	(584)	-	-	(4,124)	4,280
Works in progress	167,836	60,965	(5,728)	(116,519)	169	-	(11,932)	94,791
	1,746,093	117,473	(31,576)	382	7,593	66,034	(178,491)	1,727,508
ACCUMULATED DEPRECIATION:								
Buildings and other constructions	158,633	43,071	(197)	1	808	-	-	202,316
Infrastructure of environmental compliance program	22,076	175	-	(1)	-	-	-	22,250
Machines and equipment	253,329	12,437	(18,599)	-	384	-	-	247,551
Transportation Units	10,737	440	(528)	-	-	-	-	10,649
Furniture and fixture and computer equipment	8,273	909	(68)	-	35	-	-	9,149
Various equipment	271,617	25,288	(16)	-	147	-	-	297,036
	724,665	82,320	(19,408)	-	1,374	-	-	788,951
Net value	1,021,428							938,557

(a) The Subsidiary Terminales Portuarios Chancay S.A. made a voluntary revaluation of incorporated lands through equity Split of the Subsidiary Roquel Global S.A.C. This was amounted to US$ 42,989 thousand resulting in a revaluation surplus of US$ 30,307 thousand and deferred income tax for US$ 12,682 thousand. Additionally a voluntary revaluation of acquired lands in previous years was made for US$ 23,045 thousand resulting in revaluation surplus of US$ 16,247 thousand and deferred income tax of US$ 6,798 thousand. Appraisals were made by an independent expert.

2016	INITIAL BALANCES	ADDITIONS	WRITE-OFFS	TRANSFER	ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
COST OF:						
Lands	6,338	1,460	(46)	(1)	-	7,751
Buldings and other constructions	729,326	48,040	-	24,262	(14,379)	787,249
Infraestructure of enviromental compliance program	22,846	28	-	-	-	22,874
Machines and equipment	308,664	6,482	(11,167)	(760)	-	303,219
Transportation units	12,169	485	(427)	(228)	-	11,999
Furniture and fixture and computer equipment	13,105	179	-	-	-	13,284
Various equipment	445,391	7,707	(149)	(626)	(21,501)	430,822
Units in transit	484	575	-	-	-	1,059
Works in progress (a)	199,391	36,367	-	(67,922)	-	167,836
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	1,737,714	101,323	(11,789)	(45,275)	(35,880)	1,746,093
	-----------	=======	======	======	======	-----------
ACCUMULATED DEPRECIATION:	119,923	38,710	-	-	-	158,633
Buildings and other constructions	21,807	269	-	-	-	22,076
Infrastructure of environmental compliance program	246,335	16,388	(9,623)	229	-	253,329
Machines and equipment	10,806	528	(369)	(228)	-	10,737
Transportation Units	7,317	957	-	(1)	-	8,273
Furniture and fixture and computer equipment	243,466	28,234	(83)	-	-	271,617
Various equipment	-----------	----------	--------	---------	---------	-----------
	649,654	85,086	(10,075)	-	-	724,665
	-----------	=======	======	======	======	-----------
Net value	1,088,060					1,021,428
	========					========

(a) As of December 31, 2017 and 2016, Company projects comprising the heading of works in progress are detail below (expressed in thousands of U.S. dollars):

Projects

	2017	2016
Tailings Rumichaca -System of Thickened tailing deposits	6,284	-
Tailing Heightening Andaychagua elev. 4402 - 4408	3,660	3,626
Tailing Heightening Rumichaca 4224	1,905	1,647
Pressure Filter Victoria	1,391	-
Plant Victoria 4700 DPMT	1,301	1,100
Pressure Filter Marh Tunel	1,221	299
Tailing Heightening Andaychagua 4408	1,134	-
Tailing Extension 6 Mahr Tunel	1,127	-
Pumping system level 1120 level 1020	1,105	1,221
Pumping system Rp 616 level 1220 to 1120	681	-
Pressure filter Andaychagua	611	408
Neutralization plant zone Huacracocha	523	523
Extension of Sub station 5Mva-48/2.4 Kv in 3Mva	429	-
Pumping system level 1200	334	-
Second line of pumping level 5	290	-
Over Haul Jum-0305-Ya (series number Avo13A005)	277	-
Shaft Andaychagua	-	19,867
Tailing Heightening of Rumichaca elev. 4,218	-	12,401
Tailing Rumichaca	-	6,179
Tailing Chumpe	-	4,699
Tailing Heightening Mahr Tunel to elev. 4036 meters above sea level	-	1,064
Technological Infraestructure System	-	827
Plant of domestic residual water	-	818
Plant of domestic residual water Carahuacra	-	687
Arquimedes project	-	609
Other projects with less amount	18,641	17,869
	--------	--------
	40,914	73,844
	======	======

The above-mentioned projects are estimated to be compleated in 2018.

In the Subsidiary Compañía Minera Chungar S.A.C. (expressed in thousands of U.S. dollars):

Projects	2017	2016
Tailing deposits heightening Animon C.4621 ET.IV	13,002	-
Pumping system of one stage	9,534	6,930
Mine water pumping system	4,748	4,073
Tailing Heightening 2 stage elev. 4672	3,108	-
Taling deposits Naticocha	2,185	1,714
Supponting of liabilities	2,130	888
Conduction system of industrial water	1,983	997
Pumping System level 0- 100	1,826	-
Communication and Data Network	593	-
Extension of Plant to 5570	462	462
Repair of bolt 19 de islay-siniester	442	-
Workshop construction level 175	345	-
Extension of pumping system - islay	326	-
Hydroelectrical power plant projects	298	-
Pumping chamber level 100 ramp Mirko Oeste	260	-
Camping construction for 20 inhabitants	248	-
Tailing Heightening Animón to 4614 meters above sea level	-	34,318
Adquisition of houses	-	5,732
Vía de Evitamiento - Huayllay	-	5,384
Sub main station	-	2,380
Extension of Substation Animón	-	1,154
Overflow channel, Baños V	-	1,058
Modernization of winch, Esperanza	-	979
Construction of settling Ponds	-	741
Construction of crowning channel on site Alpamarca	-	537
Transmission line of 229 KVA	-	477
Other projects Chungar and Alpamarca	4,990	14,859
	---------	---------
	46,480	82,683
	======	======

There are remaining projects in the subsidiaries 2017 and 2016 for US$ 7,397 thousand and US$ 11,309 thousand, respectively.

The above-mentioned projects are estimated to be completed in 2018.

(b) Depreciation is computed using the straight-line method to designate its cost less its residual value during its estimated economic useful life as follows:

	Useful life
Buildings and others constructions	Up to 33 years
Infraestructure of environmental compliance program	Up to 10 years
Machines and equipment	Up to 10 years
Transport units	Up to 5 years
Furniture and fixture and computer equipment	Up to 10 years
Varios equipment	Up to 10 years

(c) Annual depreciation charge has been distributed as follows (expressed in thousands of U.S. dollars):

	2017	2016
Production costs (Note 22)	71,662	69,538
Administrative expenses (Note 23)	1,493	1,478
Selling expenses (Note 24)	12	5
Other expenses	9,153	14,065
	---------	---------
Total	82,320	85,086
	======	======

(d) Net cost of buildings and machines and equipment under financial leasing amounts to US$ 17,404 thousand and US$ 9,619 thousand respectivelly (US$ 18,013 thousand and US$ 16,557 thousand in 2016). In 2017 the disbursement amounted to US$ 7,289 thousand (US$ 12,957 thousand in 2016). The amounts to pay in 2018, are of US$ 3,586 thousand and US$ 2,952 thousand in 2019 and 2020.

(e) The Company and Subsidiaries keep insurance on the main assets according to the policies established by the management.

12. MINING TITLES AND CONCESSIONS, EXPLORATION, DEVELOPMENT AND STRIPPING COSTS

The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

2017	INITIAL BALANCES	ADDITIONS	REMOVALS AND WRITE-OFFS	TRANSFERS AND/OR RECLASSIFICATIONS	INCORPORATION OF NEW SUBSIDIARIES	RECOVERY FOR IMPAIRMENT	ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
Cost								
Mining concessions (a)	285,211	496	-	-	4,739	-	(21,756)	268,690
Exploration costs (b)	227,155	37,769	-	(1,526)	85,637	-	(135,645)	213,390
Development costs (c)	548,568	75,285	-	1,070	-	74,315	(63,023)	636,215
Closure of mining units (d)	71,971	65,469	-	-	-	-	(32,454)	104,986
Other Intangibles	82,917	4,051	-	75	15	-	(778)	86,280
	1,215,822	183,070	-	(381)	90,391	74,315	(253,656)	1,309,561
Amortization								
Mining concessions (a)	172,074	9,527	-	-	18	-	-	181,619
Exploration costs (b)	82,179	11,125	-	(577)	1	-	-	92,728
Development costs (c)	345,193	30,513	(89,036)	577	-	-	-	287,247
Closure of mining units (d)	27,520	4,537	-	-	-	-	-	32,057
Other Intangibles	9,118	1,071	-	-	11	-	-	10,200
	636,084	56,773	(89,036)	-	30	-	-	603,851
Net cost	579,738							705,710

2016	Initial balances	Additions	Transfers and adjustment / Write-offs	Reversion of the allowance for impairment	Closing balances
Cost					
Mining titles and concessions (a)	257,282	20,279	7,650	-	285,211
Exploration costs (b)	198,714	13,000	(9,493)	24,934	227,155
Development costs (c)	436,243	49,813	166	62,346	548,568
Closure of mining units (d)	73,456	(1,485)	-	-	71,971
Other intangibles	15,393	67,490	34	-	82,917
	981,088	149,097	(1,643)	87,280	1,215,822
Amortization					
Mining titles and concessions (a)	166,400	5,679	(5)	-	172,074
Exploration costs (b)	79,162	5,358	(2,341)	-	82,179
Development costs (c)	313,236	31,955	2	-	345,193
Closure of mining units (d)	22,686	4,834	-	-	27,520
Other intangibles	8,066	1,052	-	-	9,118
	589,550	48,878	(2,344)	-	636,084
Net cost	391,538				579,738

In 2017, the Company and Subsidiaries in application of the International Accounting Standard No. 36 "Impairment of Non-financial Assets" and due to the prices increase has reversed provisions for impairment for US$ 74,315 thousand. For the standstill of Cash-Generating Units (CGU's), the Company and Subsidiaries have recognized a loss for impairment for US$ 432,147 thousand in property, plant and equipment, US$ 178,491 thousand (note 11) and intangibles US$ 253,656 thousand. The net effect in the non-financial assets is an impairment of US$ 357,832.

In 2016, due to an increase in the prices of ore in the international market, the Company and Subsidiaries have recognized a reversion of allowance for impairment for US$ 51,400 thousand, which partially reverts the allowance for impairment recognized in 2015.

In Management's opinion, the balance of allowance for impairment of long-lasting assets is enough to properly hedge the risks of impairment of long-lasting assets of the Company and Subsidiaries as of the date of the consolidated statement of financial position.

a) Mining concessions

The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	INITIAL BALANCES	ADDITIONS	TRANSFERS	INCORPORATION OF NEW SUBSIDIARIES	ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
Cost						
Yauli	137,330	492	-	-	-	137,822
Cerro de Pasco	55,031	-	-	-	(3,161)	51,870
Animón	45,348	-	1	-	(6,393)	38,956
Alpamarca	-	-	26,758	-	-	26,758
Paragsha and Subsidiaries	3,805	-	(3,684)	-	(121)	-
Vinchos	2,329	-	-	-	(1,322)	1,007
San Sebastian	2,347	-	-	-	(2,347)	-
El Pilar	-	-	2,100	-	(2,100)	-
Huascarán	-	-	773	-	(773)	-
Vichaycocha	-	4	-	3,971	(3,957)	18
Toruna	-	-	1,582	-	(1,582)	-
Huanchor	-	-	10,582	-	-	10,582
Tingo	-	-	-	1,677	-	1,677
Other concessions	39,021	-	(38,112)	(909)	-	-
	285,211	496	-	4,739	(21,756)	268,690
Accumulated depreciation						
Yauli	96,713	3,838	-	-	-	100,551
Cerro de Pasco	51,442	311	-	-	-	51,753
Animón	20,937	2,003	1,780	-	-	24,720
Alpamarca	-	3,351	-	-	-	3,351
Vinchos	1,007	-	-	-	-	1,007
Vichaycocha	-	-	-	18	-	18
Huanchor	-	24	195	-	-	219
Other concessions	1,975	-	(1,975)	-	-	-
	172,074	9,527	-	18	-	181,619
Net cost	113,137					87,071
2016						
Cost	257,282	20,279	-	-	7,650	285,211
Accumulated amortization	(166,400)	(5,679)	5	-	-	(172,074)
Net cost	90,882					113,137

b) EXPLORATION COSTS

The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	INITIAL BALANCES	ADDITIONS	TRANSFERS	INCORPORATION OF NEW SUBSIDIARIES	ALOWANCE FOR IMPAIRMENT	CLOSING BALANCES
Cost						
Yauli	114,709	9,021	1	-	-	123,731
Cerro de Pasco	2,232	292	8,830	-	(3,403)	7,951
Animón	64,780	14,170	5,853	-	(12,469)	72,334
Paragsha and Subsidiaries	29,662	(497)	(35,092)	5,523	(52)	(456)
Vinchos	9,814	38	-	-	(26)	9,826
Vichaycocha	-	12,501	-	80,114	(92,614)	1
Toruna	-	1,645	18,889	-	(20,533)	1
San Sebastian	5,958	599	(7)	-	(6,548)	2
	227,155	37,769	(1,526)	85,637	(135,645)	213,390
Accumulated depreciation						
Yauli	44,943	6,085	(1)	-	-	51,027
Cerro de Pasco	7,928	2	1	-	-	7,931
Animón	14,244	5,038	4,673	-	-	23,955
Paragsha and Subsidiaries	5,250	-	(5,250)	-	-	-
Vinchos	9,814	-	-	-	-	9,814
Vichaycocha	-	-	-	1	-	1
	82,179	11,125	(577)	1	-	92,728
Net cost	144,976					120,662
2016						
Cost	198,714	13,000	(9,493)	-	24,934	227,155
Accumulated amortization	(79,162)	(5,358)	2,341	-	-	(82,179)
Net cost	119,552					144,976

c) DEVELOPMENT COSTS

The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	INITIAL BALANCES	ADDITIONS	REMOVALS AND WRITE-OFFS	TRANSFERS	RECOVERY FOR IMPAIRMENT	ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
Cost							
Yauli	325,052	55,903	-	-	12,825	(3,836)	389,944
Cerro de Pasco	83,671	-	-	-	-	(8,515)	75,156
Animón	109,227	19,383	-	25,429	61,490	(50,673)	164,856
Paragsha and Subsidiaries	24,360	-	-	(24,359)	-	-	1
Vinchos	6,258	-	-	-	-	-	6,258
	548,568	75,286	-	1,070	74,315	(63,024)	636,215
Accumulated depreciation							
Yauli	184,218	18,846	(69,662)	-	-	-	133,402
Cerro de Pasco	74,788	42	-	9	-	-	74,839
Animón	73,058	11,625	(19,374)	7,438	-	-	72,747
Paragsha and Subsidiaries	6,871	-	-	(6,870)	-	-	1
Vinchos	6,258	-	-	-	-	-	6,258
	345,193	30,513	(89,036)	577	-	-	287,247
Net cost	203,375						348,968
2016							
Cost	436,243	49,813	-	166	62,346	-	548,568
Accumulated amortization	(313,236)	(31,955)	-	(2)	-	-	(345,193)
Net cost	123,007						203,375

d) MINE CLOSURE

The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	INITIAL BALANCES	ADDITIONS	TRANSFERS	REVERSION OF ALLOWANCE FOR IMPAIRMENT	CLOSING BALANCES
Cost					
Closure of mining units	71,971	65,468	1	(32,454)	104,986
	---------	======	==	======	---------
Accumulated depreciation					
Closure of mining units	27,520	4,537	-	-	32,057
	---------	======	==	======	---------
Net cost	44,451				72,929
	======				======
2016					
Cost	73,456	(1,485)	-	-	71,971
	---------	======	==	======	---------
Accumulated amortization	(22,686)	(4,834)	-	-	(27,520)
	---------	======	==	======	---------
Net cost	50,770				44,451
	======				======

13. FINANCIAL OBLIGATIONS

(a) The movement and breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	CONTRACT	ORIGINAL QUANTITY S/	ORIGINAL QUANTITY US$(000)	WARRANTY GRANTED	INTEREST RATE	EXPIRATION	TOTAL 2017	TOTAL 2016
Loans:								
Scotiabank	-	-	80,000	None	1.95 per cent	Mar-17	-	80,000
BBVA Banco Continental	-	70,100	-	None	5.90 per cent	Mar-17	-	20,000
BBVA Banco Continental		172,250	-	None	5.70 per cent	Mar-17	-	50,000
BBVA Banco Continental		138,560	-	None	5.70 per cent	Mar-17	-	40,000
Itau Unibanco S.A.	-	-	27,500	None	3.15 per cent + 3M Libor rate	Jul-22	-	23,571
Atlas Copco Financial Solutions AB		-	1,469	None	4 per cent	Feb-19	571	1,183
Scotiabank	-	-	20,000	None	1.60 per cent	Mar-18	20,000	-
Scotiabank	-	-	40,000	None	1.60 per cent	Mar-18	40,000	-
Scotiabank	-	-	10,000	None	2.85 per cent	Nov-22	10,000	-
Interbank	-	-	10,000	None	2.85 per cent	Dec-22	10,000	-
BBVA Banco continental	-	197,790	-	None	5.56 per cent	Mar-18	60,000	-
Citibank N.A. New York	-	-	70,000	None	3.84 per cent	Jan-22	70,000	-
							210,571	214,754
Bonds:								
Negotiated bonds (a)	-		600,000		5.375 per cent	Feb-22	535,264	535,264
							535,264	535,264
Commercial papers:								
Commercial papers	-	-	50,000		2.72 per cent	May-17	-	50,000
Commercial papers	-	-	50,000		2.50 per cent	Apr-18	50,000	-
							50,000	50,000
Financial leasing:								
Interbank	Various		-	The leased goods themselves	Between 2.50 and 4.79 per cent	Between Jan-17 and May-20	626	2,874
Scotiabank	Various		-	The leased goods themselves	Between 3.20 and 4.68 per cent	Between Jan-17 and Dec-19	5,485	8,044
Banco de Crédito del Perú	32657AFB		2,005	The leased goods themselves	5.75 per cent	Dec-17	-	370
BBVA Banco Continental	506075		1,039	The leased goods themselves	Between 3.20 and 3.90 per cent	Between Jan-17 and Jul-18	427	2,121
							6,538	13,409
Total financial obligations							802,373	813,427
Non-current portion							628,987	562,504
Current portion							173,386	250,923

(a) Traded bonds were issued on February 2, 2012 and were fully placed in the international market designated as “Senior Notes Due 2022” for $ 600,000 thousand at an annual rate of 5.375 percent with 10-year maturity. Interests are being paid through semiannual installments from August 02, 2012 to February 2, 2022. Their amortized cost is similar to their carrying amount.

(b) The debt amortization schedule as of December 31, 2017 and 2016 is as follows (expressed in thousands of U.S. dollars :

Year	2017	2016
2017	-	250,923
2018	173,386	4,170
2019	4,074	3,428
2020	61	-
2022	624,852	554,906
	----------	----------
	802,373	813,427
	=======	=======

As warranty of the obligations with bank and commercial entities, the Company and Subsidiaries have granted guarantee letters for US$ 73,206 thousdand and S/ 19,215 thousand and bank guarantees for US$ 20,000 thousand.

14. TRADE ACCOUNTS PAYABLE

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	2017	2016
Invoices	161,034	170,740
Drafts	-	2
contratistas Provisions for contractors' services (a)	48,928	40,502
	----------	----------
	209,962	211,244
	=======	=======

Trade accounts payable mainly originate from the acquisition of materials, supplies, spare parts and services rendered by third parties. These obligations are mainly denominated in U.S. dollars, have current maturity, and accrue no interests. No specific guarantees have been granted for such obligations. The policy to manage liquidity risk and aging of accounts payable maintained by the Company and Subsidiaries are shown in Note 31 (c).

(a) They correspond to services from contractors received in December, for which no invoices have been issued at the year closing.

15. OTHER ACCOUNTS PAYABLE

A breakdown of this heading is given below (expressed in thousands of U.S. dollars):

	2017	2016
Remunerations and employees' profit sharing (a)	24,095	26,883
Dividens payable (b)	1,089	1,105
Interest payable on bonds (c)	11,988	11,988
Withholdings for General Sales Tax Discounts payable	3,938	4,654
Royalties payable (Notes 2.4 (r))	5,758	4,414
Interest payable on financial obligations	2,490	2,094
Mining retirement fund	51	53
Income tax of the Company and its subsidiaries	11,522	14,339
Primes of the complementary personnel's working risk insurance	1,425	957
General Sales Tax – Withholding	2,749	378
Income tax witholded to the personnel	650	691
Contributions to EsSalud	1,777	1,274
Contributions to pension fund administrators	468	402
Court-ordered withholdings	540	608
Contributions to the Public Pension System	218	185
Acquisition of Chancay Port S.A.C.	17,217	35,200
Other minor	6,068	5,936
	92,043	111,161

The policy to manage liquidity risk and aging of accounts payable maintained by the Company and Subsidiaries are shown in Note 31 (c).

(a) As of December 31, 2017 it includes mainly US$ 14,593 thousand for employees' profit sharing of previous years to 2017.

(b) In Meeting held on July 5, 2016, the Board of Directors approved the payment of dividends corresponding to Retained earnings of 2014 for S/ 52,484 thousand (equivalent to US$ 15,620 thousand).

In Meeting held on January 23, 2017, the Board of Directors approved the payment of dividends in cash to their shareholders corresponding to profit of 2014 for S/ 49,106 thousand (equivalent to US$ 14,854 thousand). Such dividends have been settled on February 28, 2017.

In Meeting held on October 2, 2017, the Board of Directors approved the payment of dividends in cash to their shareholders corresponding to profit of 2016 for S/ 54,583 thousand (equivalent to US$ 16,397 thousand). Such dividends have been settled on October 27, 2017.

(c) It corresponds to accrued interests on bonds issued by the Company and Subsidiaries each year (See Note 13) corresponding to the August-December 2016 period.

16. ENVIRONMENTAL OBLIGATIONS

(a) Provision for environmental liabilities closure plan

On July 6, 2004, the Congress of the Republic issued Law 28271, "Law Regulating Environmental Liabilities in the Mining Activity" The purpose of this Law is to regulate the identification of environmental liabilities of the mining activity and financing for remediation of the affected areas. According to this regulation, an environmental liability corresponds to the impact caused in the environment by mining operations that are currently abandoned or inactive.

On December 9, 2005, the Regulations to Law 28271 were published, and prior to that, Law 28526 was published on May 25, 2005 providing that those responsible for environmental liabilities have a term of one year as from the date of effectiveness of the regulations to submit the Environmental Liabilities Closure Plan; such term expired December 11, 2006. The Consolidated Text of Administrative Procedure provides that Environmental Liabilities Closure Plans can be submitted in conceptual engineering or budget terms.

On December 11, 2006, the Company and Subsidiaries submitted the Environmental Liabilities Closure Plan; such submission was made only in conceptual engineering terms and no budget was included. Such liability is to be recognized increasing an assets account and is to be amortized in the term of execution of the Plan, which, according to Law is 3 years, and exceptionally 4 years; besides, such liability is to be recognized at the present value of future estimated cash flows expected to be disbursed.

As of February 2018, no environmental liability pending remediation has been incorporated. All previously existing ones have been incorporated in the Mine Closure Plan update for the respective mining units.

(b) Provision for closure of mining units

On October 14, 2003, the Congress of the Republic issued Law 28090 to regulate the obligations and procedures that mining titleholders shall comply in preparing, filing and implementing the Mine Closure Plan, as well as the granting of the corresponding environmental performance bonds to guarantee compliance of the corresponding investment commitments, subject to the principles of environmental protection, preservation and reclaiming. The regulations for Law 28090 were published on August 16, 2005.

During 2015 and 2016 the Company and Subsidiaries has filed with the Ministry of Energy and Mines the updates for the valued Mine Closure Plan of its main mining units.

As of December 31, 2017, the Company and Subsidiaries recognized liabilities amounting to US$ 134,890 thousand corresponding to all of their mining units (US$ 70,528 mil thousand as of December 31, 2016) related to their obligations for the their future closure (expressed in thousands of U.S. dollars):

Mining unit	2017 Amortized cost	2016 Amortized cost
Carahuacra	28,200	20,175
San Cristóbal	27,111	10,503
Alpamarca	16,926	6,426
Andaychagua	14,011	6,908
Ticlio	5,809	5,137
Cerro de Pasco	30,135	8,327
Animon	4,663	4,662
Vinchos	8,035	8,390
	----------	---------
Total	134,890	70,528
	=======	======

The movement of provision for closure of mining units and exploration projects is given below (expressed in thousands of U.S. dollars):

Balance as of December 31, 2016	70,528
Increase for provision present value update	64,362

Balance as of December 31, 2017	134,890
	=======

The provision for closure of the mining units accounts for the present value of costs of closure expected to be incurred between years 2016 and 2030. The estimated costs for the closure of mining units is based on a study prepared by an independent expert in compliance with current environmental regulations. Provision for closure of mining units corresponds mainly to activities that have to be carried out for restoration of mining units and zones affected by the exploitation activities. The main works to be carried out correspond to earth movement, re-vegetation works and plant dismantling. Closure budgets are regularly revised to take into account any significant change in the studies made. However, the costs for the closure of mining units will depend on the market prices of the required closure works that will reflect future economic conditions.

Likewise, the time in which disbursements will be made depends on the useful life of the mine, which will depend on future metal quotations.

As of December 31, 2017, the future value of the provision for closure of mining units and environmental liabilities is of US$ 165,915 thousand, which has been discounted using the risk free annual rate of 2 percent, resulting in an updated liability of US$ 134,890 thousand (US$ 167,491 thousand as of December 31, 2016 using the risk free annual rate of 12.44 percent, resulting in an updated liability of US$ 70,528 thousand). The Company and Subsidiaries consider that this liability is enough to comply with current environment protection as approved by the Ministry of Energy and Mines.

17. INCOME TAX

(a) Income tax expenses shown in the consolidated statement of income include (expressed in thousands of U.S. dollars):

	2017	2016
Income tax		
Tax	(47,351)	(37,024)
Deferred	(213,300)	1,646
	(260,651)	(35,378)
Tax on mining royalties (i)	(17,451)	(13,011)
Contribution to the mining retirement fund (ii)	(645)	(655)
	(278,747)	(49,044)

(i) It corresponds to mining royalties that the Companies and Subsidiaries have to pay as titleholders of mining concessions in valuable consideration for the exploitation of metallic and non-metallic resources in compliance with Law 28258 “Mining Royalty Act” as amended by Law 27988 dated September 28, 2011.

(ii) It corresponds to the contribution of 0.5% of the annual income recorded by mining, metallurgical and iron and steel entities before taxes as supplementary payment, additional to retirement, disability and survival pensions of mining, metallurgical and iron and steel employees, as provided in Law 29741, effective as from 2012.

(b) The Company and Subsidiaries recognize the effects of temporary differences between the accounting and the tax base. A breakdown of this heading, according to the items that originated them, is given below (expressed in thousands of U.S. dollars):

	Balance as of January 1, 2016	Debit/ credit to the statement of income/ equity	Balance as of December 31, 2016	Debit/ credit to the statement of income/ equity	Balance as of December 31, 2017
Deferred assets					
Expenses for amortization of mining titles and concessions, exploration, development and stripping	159,215	(6,634)	152,581	(95,634)	56,947
Provision for closure of mining units	19,558	5,172	24,730	15,299	40,029
Fair value of derivative financial instruments	-	4,529	4,529	15,242	19,771
Provision for contingencies	396	12,552	12,948	(3,930)	9,018
Unrealized loss on derivative financial instruments	10,735	(10,735)	-		-
Allowance for impairment of inventories	1,084	1,429	2,513	4,311	6,824
Recoverable tax loss	52,520	18,115	70,635	(65,943)	4,692
VR Shares, Polpaico Cement	-	-	-	3,127	3,127
Other minor	-	1,253	1,253	844	2,097
Unpaid vacations	1,968	615	2,583	(573)	2,010
Provision for mining royalties	861	681	1,542	157	1,699
Provision for doubtful accounts	-	1,497	1,497	(133)	1,364
Embedded derivative for sale of concentrates	793	(793)	-	-	-
Adjustment of sales	1,589	(1,589)	-	-	-
Total	248,719	26,092	274,811	(127,233)	147,578
Deferred liabilities					
Use of mining titles and concessions, exploration, development and stripping costs' amortization benefits	(116,523)	(37,057)	(153,580)	(52,753)	(206,333)
Effect due to transfer of tax benefits to U.S. dollars		-	-	(32,806)	(32,806)
Gain on fair value of hedges and premiums	(1,766)	1,766	-	(9,316)	(9,316)
Other minor	(100)	100	-	(3,764)	(3,764)
Valuation of stockpiles	(1,901)	(409)	(2,310)	23	(2,287)
Insurance indemnity		-	-	(1,583)	(1,583)
Embedded derivative	-	(211)	(211)	(1,062)	(1,273)
Revaluation of assets	-	-	-	(19,480)	(19,480)
Adjustment of sales	-	(3,680)	(3,680)	3,680	-
Allowance for disposal of shares	(1,802)	218	(1,584)	1,584	-
Capitalization of expenses due to issue of bonds	(611)	(74)	(685)	685	-
Total	(122,703)	(39,347)	(162,050)	(114,792)	(276,842)

18. NET EQUITY

(a) Capital

It is represented by 1,633,414,553 class “A” shares with right to vote and 2,443,157,622 class “B” shares with no right to vote but right to preference dividend distribution, and such right is not cumulative. Of the total, 182,664,981 class “A” shares and 12,234,901 class “B” shares are held by subsidiary Empresa Minera Paragsha S.A.C., and 23,442,345 class “A” shares are held by subsidiary Compañía Minera Chungar S.A.C. All common shares are fully subscribed and paid with a face value of 0.87 soles.

Both class “A” and class “B” common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of December 31, 2017, their quotation was of S/ 4.00 and S/ 1.32 per share, respectively (S/ 1.41 and S. 0.72 per share, respectively, as of December 31, 2016). As of December 31, 2017, class “A” shares had a 5 percent frequency trading, while class “B” shares had a 100 percent frequency trading (60 percent for class “A” shares and 100 percent for class “B” shares as of December 31, 2016).

The shareholding structure as of December 31, 2017 and 2016 is as follows:

Individual share percentage on the issued capital	Number of shareholders		Total sharing percentage	
	2017	2016	2017	2016
Less than 0.20	451	570	0.62	1.88
From 0.20 to 1.00	2	6	0.80	4.00
From 1.01 to 5.00	4	8	9.05	19.80
From 5.01 to 10.00	3	6	26.10	52.83
From 10.01 to 20.00	3	2	63.43	21.49
	463	592	100.00	100.00

The Mandatory Annual Shareholders' Meeting held on March 31, 2016 resolved to reduce the Company's Share Capital by S/ 529,954,383, from S/ 4,076,572,175 to S/ 3,546,617,792 by reducing the face value of all Class “A” and Class “B” shares issued by the Company. In other words, this affects 4,076,572,175 shares issued by the Company, which face value is thus reduced from S/ 1.00 Sol to S/ 0.87 cents of Sol.

In meeting of the Board of Directors held on July 5, 2016, it was resolved to distribute to its shareholders dividends in cash corresponding to 2014 profit for S/ 52,484,125.70 (equivalent to US$ 15,967,181). Such dividends were paid off on August 9, 2016.

In November 2017, Glencore International AG made a Public Offer of Common Class A Shares Acquisition (OPA) and bought a total of 603,077,387 shares. Glencore International AG and its related companies, as of the release date of OPA had already owned 295,754,888 shares. Therefore, it accumulated a total of 898,832,275 Class A shares representing 55.028% of Class A shares. This percentage gives it control of the Company and Subsidiaries, but the share capital is reduced to 23.29%, excluding Class A and Class B shares the entity has in portfolio.

(b) Treasury shares

They correspond to own shares acquired by the subsidiaries.

(c) Legal reserve

In accordance with the General Business Act, a minimum 10 percent of the annual distributable profit has to be transferred to a legal reserve until it equals 20 percent of the paid-in capital. The legal reserve can be used only to offset losses, but must be replenished and cannot be distributed as dividends, except in the case of liquidation. According to article 229 of the New Business Act, the Company and Subsidiaries may capitalize the legal reserve, but must replenish it in the year immediately after profit is obtained.

(d) Capital reserve

It includes a special reserve to pay social responsibility expenses related to the communities and communities around the mining operations. Likewise, the effect of dividends and the result obtained for the disposal of treasurey shares is credited to or debited from this account.

(e) Revaluation surplus

They correspond to the surplus resulting from revaluating the lands of the subsidiary Terminales Portuarios Chancay S.A. at market value in 2017. This surplus cannot be capitalized nor distributed as dividends except they are realized.

(f) Unrealized profit or loss

They correspond to unrealized gains (loss) on derivative instruments to hedge cash flows (Note 9). This unrealized gain or loss originates because the commodities price was agreed at a value that was respectively greater or less than their settlement value, as appropriate.

19. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

The Company and Subsidiaries use derivative instruments to reduce the market risks to which they are exposed. Risks are mainly referred to the effects of changes in the prices of metals they commercialize, which show constant fluctuations. Management’s intention is to maintain derivative instruments to hedge any fluctuations in the prices of their metals, mainly zinc and lead.

(a) Ore quote hedging transactions

Hedging contracts: Swap Contracts -

During 2017, the Company entered price hedging transaction contracts (swaps) to secure future flows from its sales, as well as treatment expenses subject to scaling contracts that increase them in upward scenarios. Hedging transactions critical terms have been negotiated with brokers so that they match the terms negotiated in the related commercial agreements.

As of December 31, 2017, the Company had the following current hedging transactions payable in thousands of U.S. dollars:

Metal	Total volume TMF/OZ	Periods	Fair value
Swap contracts			
Zinc	55,212	Enero 2018 – Septiembre 2018	28,526
Lead	7,805	Enero 2018 – Julio 2018	694

Total fair value of hedging instruments payable (Note 9)			29,220
			======

(b) Hedging transactions of interest rates

In 2017, the Company enter a rate hedging transaction contract (swap) to secure its future cash flow from paying financing interests, which amounts and maturities matches the agreements negotiated in the related loan.

As of December 31, 2017, the Company had the following current hedging transactions receivable in thousands of U.S. dollars:

Details	Amount	Period	Fair value
Swaps			
Citibank loan	70,000	Enero 2017 – Enero 2022	126

Total fair value of hedging instruments receivable Note 9			126
			===

(c) The hedgings of cash flows from sales to be made in future years, as well as the effective loan as of December 31, 2017, have been assessed by the Company Management as highly effective. Effectiveness has been measured using the flow-offset method, as the Company Management considers that this is the method that better reflects the purpose of managing the risk in relation to the hedge.

(d) The variation under the equity heading "Unrealized profit or loss on hedging derivative financial instruments, net" is as follows in thousands of U.S dollars:

	Hedging derivative financial instruments	Income tax	Unrealized loss on hedging derivative financial instruments, net
Balances as of December 31, 2017	(29,094)	8,583	(20,511)
	======	=====	======

(e) Embedded derivative for quote variation in concentrate sales agreement

As of December 31, 2017 and 2016, temporary settlements in metric tons (MT) of zinc, lead, and copper; and ounces (OZ) of silver held as of that date, their final settlement periods, and the fair value of embedded derivatives include:

As of December 31, 2017 (expressed in thousands of U.S. dollars):

Concentrates	Quantity MTS/OZ	Quotation Period 2018	Fair value
Receivable -			
Zinc	70,963	January, 2018 – April 2018	2,883
Lead	18,326	January, 2018 – March 2018	862
Copper	1,920	January, 2018	340
Silver	3,153	January, 2018 – March 2018	231

			4,316
			=====
Payable -			
Lead	711	January, 2018	(1)

			4,315
			=====

As of December 31, 2016 (expressed in thousands of U.S. dollars):

Concentrates	Quantity MTS/OZ	Quotation Period 2017	Fair value
Receivable –			
Zinc	75	January, 2017- April, 2017	1,133
Lead	27	January, 2017- May, 2017	3,820

			4,953
Payable -			
Copper	2	January, 2017	(628)
Silver	13	January, 2017- March, 2017	(1,002)
Zinc	96	January, 2017- March, 2017	(671)
Lead	12	January, 2017- March, 2017	(273)
Bulk	5	January, 2017- March, 2017	(673)

			(3,247)

			1,706
			=====

As of December 31, 2017 and 2016, the fair value of embedded derivatives generated gains of US$ 2,609 thousand and of US$ 4,528 thousand, respectively, as shown under “Net sales” in the consolidated statement of income. Future quotes of the dates, on which open positions as of December 31, 2017 and 2016 are expected to be settled, are taken from London Metal Exchange publications.

(f) Fair value hierarchy

In order to increase coherence and comparability in its fair value measurements, a fair value hierarchy has been established that classifies entries of valuation techniques used for fair value measurement in three levels:

Level 1: Quoted prices (unadjusted) for identical assets and liabilities in active markets. They include financial investments available for sale.

Level 2: Other techniques are used by which all information or data different from the quoted prices included in level 1, which are directly or indirectly available.

Level 3: Techniques using data that are not based on observable market data and have a significant effect on fair value measurement .

Financial instruments measured at fair value applied by the Company and Subsidiaries use level-1 valuation techniques for the periods ended December 31, 2017 and 2016.

No transfers have occurred between fair value hierarchy levels during periods 2017 and 2016.

20. TAX SITUATION

(a) Current tax framework

The Company and Subsidiaries are subject to the Peruvian tax regime. The Income Tax rate applicable to entities during year 2017 is 29.5%. If the Company fully or partially distributes dividends or any other form of profit distribution, an additional rate of 6.8% on the distributed amount shall apply, which is to be borne by each shareholder, provided that they are individuals or legal entities not domiciled in the country. However, for any amount or delivery in kind resulting third-class taxable income that may represent an indirect disposition not subject to subsequent tax control, including amounts charged to expenses and not declared income (alleged dividends), the Income Tax rate of 6.8% during year 2017 shall apply, which is to be borne by the entity.

The rate applicable to the distribution of dividends or any other form of profit distribution, as well as presumed dividends will be of 5%. This tax is to be borne by the shareholders, in the first case and by the company, in the second one.

The income tax charged to shareholders full or partial distribution of dividends or any other form of income wil be of 5%. The same rate will be also applicable by the company for any amount or delivery in kind resulting third-class taxable income that may represent an indirect disposition not subject to subsequent tax control, including amounts charged to expenses and not declared income.

The Company Management and Subsidiaries believe that there will be no material contingencies for the Company as of December 31, 2017 as a result of the application of these rules. In any case, any assessment in this regard made by the tax authorities would be recognized in the fiscal year in which it occurs.

(b) Years open to fiscal review

The Tax Administration has the power to review and, as appropriate, correct the Income Tax assessed by the Company and Subsidiaries in the last four years counted as from January 1 of the year following the corresponding tax return filing of the pertinent tax (years open for an audit). The tax returns corresponding to years 2013 through 2018 and general sales tax returns corresponding to the December 2014 through December 2018 periods are subject to audit by Tax Administration.

Entity	Years open to review by tax authorities
Volcan Compañía Minera S.A.A.	2011 y 2013-2017
Empresa Administradora Chungar S.A.C. (1)	2013-2015
Compañía Minera Chungar S.A.C. (1)	2015-2017
Empresa Explotadora de Vinchos Ltda. S.A.C.	2015-2017
Empresa Minera Paragsha S.A.C.	2014-2017
Compañía Minera Alpamarca S.A.C. (1)	2014-2015
Empresa Administradora Cerro S.A.C.	2014-2017
Minera San Sebastian AMC S.R.L.	2013-2017
Compañía Minera Vichaycocha S.A.C.	2013-2017
Hidroeléctrica Huanchor S.A.C.	2012-2013, 2015-2017
Empresa de Generación Eléctrica Rio Baños S.A.C.	2013-2017
Compañía Hidroeléctrica Tingo S.A.	2013-2017
Óxidos de Pasco S.A.C.	2015-2017
Roquel Global S.A.C.	2013-2017
Terminales Portuarios Chancay S.A.C.	2013-2017

(1) On January 1, 2017, the merger became effective under which Compañía Minera Alpamarca S.A.C. absorbed the entire equity of Empresa Administradora Chungar S.A.C., and therefore the latter extinguished without liquidation. After the merger Compañía Minera Alpamarca S.A.C. changed its name to Compañía Minera Chungar S.A.C., which became the only titleholder of the rights and obligations that may appear from the review by the tax authorities.

(2) Empresa Administradora de Puertos S.A.C., a company devoted to advising and consulting port activities and transactions, is the main shareholder of Terminales Portuarios Chancay S.A., a company devoted to developing port activities and sea services. On October 5, 2016, it capitalized debts held with Volcan Compañía Minera S.A.A. for S/ 145,849 thousand. On May 1, 2017, the merger by absorption became effective, of which Terminales Portuarios Chancay S.A. absorbed Empresa Administradora de Puertos S.A.C.

Due to the fact that differences may emerge in the interpretation made by the Tax Administration based on the regulations applicable by the Company and Subsidiaries, it is not possible to anticipate as of this date if additional tax liabilities will result from eventual reviews. Any additional tax, delay, surcharge and interests, if any, will be recognized in the profit or loss of the year in which the difference of opinion with the Tax Administration is resolved. Management of the Company and Subsidiaries estimate that no material liabilities will result from these possible reviews.

(c) Transfer Pricing –

Companies doing transactions with related companies and/or from, to and through tax haven are subject to Transfer Pricing rules and must have all the documentation and information that support such transactions.

Through Legislative Decree 1312, published on December 31, 2016, several changes in the rules of Transfer Pricing were made.

Thus, for transactions during 2017 with related companies and/or from, to and through tax haven or territories with low or no taxation, which must be declared during 2018, they must be backed-up by the pertinent Informative Affidavit named Local Report. This Local Report shall be filed for those taxpayers subject to Transfer Pricing rules, whose income accrued in the fiscal year exceed 2,300 tax units (UIT), with respect to the transactions generating taxable incomes and/or deductible costs for establishing the Income Tax. Through resolution of the superintendence, SUNAT will be able to request the fulfillment of this obligation to taxpayers having transactions, which generates income exonerated or unaffected and costs or expenses no deductibles for establishing taxes.

For transactions made as from 2017, which must be declared in 2018 by taxpayers taking part of a Group, which income accrued in the taxable fiscal year exceeds 20,000 UIT, the taxpayers are obliged to file an Informative Affidavit called Master Report, which will include, among others, the organizational structure, description of the business or businesses and policies of transfer pricing as for intangibles and financing of the Group and its financial and fiscal position.

Likewise, taxpayers from a Multinational Group shall file, for transactions made as from 2017 to be declared in 2018, subject to regulations of the Income Tax Law, the Informative Affidavit called Report country to country that will have, among others, the information related to global distribution of income, taxes paid and business activities of each entities from the Multinational Group doing operations in a given country or territory.

The Legislative Decree also establishes other amendments related to the application of the Comparable Uncontrolled Price for exporting and importing transactions of goods known in the international market, local market or destination market or with prices fixed taking as reference the quotations of such markets. Likewise, it establishes the possibility of applying other Transfer Pricing methods in addition to the six already known methods and regulating the intra-group services and low added value services.

21. NET SALES

(a) The Company and Subsidiaries revenues result basically from the sale of zinc, lead, silver, and copper concentrates. Detail of net sales per concentrate in years 2017 and 2016 is given below expressed in thousands of U.S. dollars:

Description	2017	2016
Net sales per concentrate		
Zinc	515,728	429,669
Lead	191,527	207,189
Copper	43,468	20,377
Silver	46,947	75,024
Bulk	7,275	21,710
Silver bars	64,511	73,448
Silver slag	81	-
Gold bars	-	748
	----------	----------
	869,537	828,165
(loss) gain on:		
Fair value on financial instruments	(8,876)	11,613
Execution of financial instruments	3,300	(37,589)
Embedded derivative (Note 19 (e))	2,609	4,528
Adjustement of open temporary settlements	(9,836)	14,831
	----------	----------
	856,734	821,548
	=======	=======

The net sales of concentrates to customers per geographic area (not including the effect of the embedded derivative valuation, and unrealized gains on hedging instruments) in thousands of U.S. dollars:

Description	2017	2016
Peru	487,367	397,263
The Americas	55,836	97,007
Asia	168,256	210,197
Europe	147,147	113,963
Oceania	10,931	9,735
	----------	----------
	869,537	828,165
	=======	=======

(b) Embedded derivative

The Company and Subsidiaries' sales of concentrates are based on commercial agreements, according to which a temporary value is assigned to the sales, which are to be adjusted at a future final quote. Sales adjustment is considered as an embedded derivative that should be separated from the agreement. Commercial agreements are related to market prices (London Metal Exchange). Embedded derivative does not qualify as a hedging instrument; therefore, changes in the fair value are charge to profit or loss. As of December 31, 2017 and 2016, the Company holds embedded derivatives based on future prices (forwards) of the expected settlement date, as final prices will be established in subsequent months as provided in the commercial agreements. Temporary selling value adjustment is recorded as an adjustment to current net sales.

(c) Concentration of sales

In 2017, the three most important customers accounted for 58% of total sales (61% of total sales in 2016). As of December 31, 2017, 61% of accounts receivable is related to these customers (44% as of December 31, 2016). The sales of concentrates by the Company and Subsidiaries are made to locally and internationally renowned companies.

(d) Commitments to sell

As of December 31, 2017, the Company and Subsidiaries maintain commitments with third parties for the sale of lead, zinc and copper concentrates for 448,500 WMT, 2,450,335 WMT, and 36,933 WMT, respectively until year 2024 (36,933 WMT, 2,394,442 WMT, and 19,084 WMT, respectively as of December 31, 2016). These sales will be made at the market price. As for dore bars, sales amount to 3,600,000 oz up to year 2018.

22. COST OF SALES

A breakdown of this heading is given below expressed in thousands of U.S. dollars:

Description	2017	2016
Initial inventory of concentrates	8,046	19,335
Initial inventory of raw material (extracted ore)	27,079	28,726
Production cost:		
Labor	71,195	63,937
Services from third parties, energy and other	226,869	220,681
Supplies used	109,318	103,430
Depreciation	71,662	69,538
Amortization	58,820	47,202
Purchase of concentrates	19,849	63,042
Other	409	458
Less – final inventory of concentrates	(10,734)	(8,046)
Less - final inventory of raw material (extracted ore)	(16,395)	(27,079)
	----------	----------
	566,118	581,224
	=======	=======

23. ADMINISTRATIVE EXPENSES

A breakdown of this heading is given below expressed in thousands of U.S. dollars:

	2017	2016
Personnel charges	18,796	21,139
Insurances	4,724	4,198
Professional's fees	4,357	4,397
Indemnities	1,295	407
Personnel services	1,954	1,392
Depreciation	1,493	1,478
Amortization	1,266	1,344
Leasings	1,017	731
Communications and IT	1,216	1,319
Mailing and telecommunications and other minor	9,600	7,758
	---------	---------
	45,718	44,163
	======	======

24. SELLING EXPENSES

A breakdown of this heading is given below expressed in thousands of U.S. dollars:

	2017	2016
Freights	18,106	20,920
Shipping expenses	1,382	4,215
Services of third parties	1,705	968
Personnel expenses	1,606	1,075
Samples, analysis and supervision	1,203	1,112
Services for the sale of concentrates	4,572	3,440
Leasings	820	809
Various Services	1,157	1,524
Depreciation	12	5
	30,563	34,068

25. OTHER OPERATING REVENUES (EXPENSES)

A breakdown of this heading is given below expressed in thousands of U.S. dollars:

	2017	2016
Revenues		
Revenue from changes of allowances (a)	89,036	-
Revenue from the sale of various supplies	12,596	11,231
Revenue from the sale of energy to third parties	13,931	12,797
Ore treatment and other services to third parties	3,766	6,521
Insurance Indemnity	6,507	49
Disposal of fixed assets	3,932	388
Repurchase of bonds	-	14,003
Other	6,297	2,925
	136,065	47,914

(a) It corresponds to the rebate of the provision for amortization of development costs due to changes in the allowance criteria.

	2017	2016
Expenses		
Selling costs of various supplies	(11,005)	(8,889)
Cost of ore treatment and other services to third parties	964	(3,055)
Cost of energy sale	(8,439)	(8,597)
Provision for contingency	(17,356)	(34,279)
Write-off of fixed assets	(13,658)	(1,163)
Plant standstill	(10,163)	(9,073)
Depreciation	(9,153)	(14,065)
Various non-deductible expenses	(31,470)	(2,839)
Tax administrative fines	(4,759)	(580)
Fair value of financial investment	(10,600)	-
Provision for obsolescence of supplies	(23,907)	-
Contribution for OEFA and OSINERMING regulation	(14,003)	-
Other	(4,679)	(9,959)
	(158,228)	(92,499)

26. IMPAIRMENT OF NON-FINANCIAL ASSETS

In 2017, the Company and Subsidiaries in application of the International Accounting Standard No. 36 “Impairment of non-financial assets”, due to prices increase, allowances for impairment have been reverted to US$ 74,315 thousand, and to a standstill of Cash-Generating Units (CGU's), the Company and Subsidiaries have recognized a loss for impairment for US$ 432,147 thousand. The net effect in the non-financial assets is an impairment of US$ 357,832, with a benefit for deferred income tax of US$ 20,265 thousand, having a net effect in the year profit or loss of US$ 337,567 thousand. It is worth mentioning that only deferred income tax assets with recoverability have been recognized.

This impairment calculation was assessed based on the value in use and was calculated at each mining unit level. The discount rate used, before taxes, was 13.05 per cent (12.44 per cent in 2016)

Revenues from recovery of allowance for impairment were recognized in Volcan Compañía Minera S.A.A. for US$ 12,825 thousand and Compañía Minera Chungar S.A.A. for US$ 61,490 thousand. Loss on impairment in Compañía Minera Vichaycocha S.A.C. for US$ 96,821 thousand, in Compañía Minera Chungar for US$ 21,649 thousand, in Minera Aurífera Toruna S.A.C. for US$ 21,657 thousand, in Empresa Administradora Cerro S.A.C. for US$ 155,414 thousand, in Minera San Sebastián AMC S.R.L. for US$ 6,650 thousand, de Óxidos de Pasco S.A.C. for US$ 109,358 thousand, in Empresa Minera Paragsha S.A.C. for US$ 1,634 thousand, in Empresa Explotadora de Vinchos Ltda. S.A.C. for US$ 6,959 thousand and in Volcan Compañía Minera S.A.A. for US$ 12,005 thousand was recognized.

During 2015, as a result of the reduction in prices and standstill of non-profitable mines, and according to International Financial Reporting Standards, the Company and Subsidiaries recognized losses on impairment of certain non-financial assets value for US$ 568,624 thousand with a deferred income tax benefit for US$ 159,215 thousand with a net effect in the year profit or loss for US$ 409,409 thousand.

In 2016, long-lasting assets value was revaluated and the result was the reversion of the allowance for impairment estimated in 2015, which is of US$ 51,400 thousand, with a deferred income tax benefit of US$ 14,392 thousand with a net effect in the year profit or loss for US$ 37,008 thousand.

In opinion of the Company Management and Subsidiaries, the balance of allowance for impairment of noon-financial assets is enough to properly hedge the risks of impairment of the Company as of the date of the consolidated statement of financial position. Furthermore, Management considers that there will be not significant changes in the rate of discount that may increase the loss on impairment.

On the other hand, Management of the Company and Subsidiaries consider that this allowance in profit or loss has no effect in the cash flows and may reverse in the future in case of a material improvement in the prices of metals.

27. FINANCIAL REVENUES (EXPENSES)

A breakdown of this heading is given below expressed in thousands of U.S. dollars:

	2017	2016
Revenues		
Gain on exchange difference	40,917	80,240
Interests on deposits in installments	670	111
Interests on loans granted	7,478	6,206
Other financial revenue	-	1,806
Fair value of mining units closure	-	515
Dividends received from Investments abroad	641	338
	49,706	89,216
Expenses		
Loss on exchange difference	(39,747)	(80,111)
Interests on issued bonds (Note 13)	(30,325)	(30,072)
Interests and expenses on bank loans	(6,547)	(4,844)
Interests on financial leasing	(2,544)	(650)
Prepaid financial instruments	(1,233)	(3,336)
Interest on synthetic loan	(326)	(1,632)
Commissions and other expenses	(2,043)	(4,029)
	(82,765)	(124,674)

28. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Computation of basic and diluted earnings (loss) per share reported in the years ended December 31, 2017 and 2016 (in thousand US Dollars, except for the information on common and investment shares) is given below:

	2017	2016
Net year (loss) profit	(477,466)	84,406
Average common shares - thousands of units	3,858,230	3,858,520
Net year (loss) profit per basic and diluted share- US$	(0.124)	0.022

No other transactions related to common or potential common shares have existed between the reporting date and the date of these consolidated financial statements.

29. DISCLOSURE OF INFORMATION BY SEGMENTS

IFRS 8 “Operating segments” require that companies and subsidiaries present their financial information taking into account the reported information that is internally used by Management to assess operating segments profit or loss and distribute the resources of such segments. Management uses business and geographic segments of the Company and Subsidiaries to make operating decisions. A business segment is a distinguishable component of an entity that supplies an individual product or service or a group of products or related services, which is subject to risks and return, which are different from other business segments. A geographic segment is a distinguishable component of an entity that is engaged in supplying products or services within a particular economic environment and is subject to risks and return, which are different from those of other components operating in other economic environments.

30. CONTINGENCIES

Volcan Compañía Minera S.A.A.

Labor proceedings

The company have probable contingent-level labor claims amounting to USD 6.49 billion for indemnity resulting from occupational disease, reimbursement of remuneration-related benefits, payment of profit, reinstatement of employees and other.

There are also two proceedings (labor shares and production bonds 1998) for which it has not been possible to assess the claimed amounts. This amount will be assessed once the court orders judgment execution in case of an unlikely unfavorable decision.

Tax proceedings

The Company has various pending decision administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and Tax Court for various resolutions of tax, fines and interests assessment.

Resolutions assessing taxes, fines and interests correspond mainly to criterion differences when assessing taxable bases to settle third-category income tax and General Sales Tax from 1998 to 2010; and in SUNAT's opinion, to failure to pay taxes and third-party withholdings.

The main controversial issue is the qualification given by SUNAT of concentrates exports transactions as internal sales subject to General Sales Tax (IGV). Similar charge was given to other mining producers and to present, there are several rulings in administrative and judicial instances that have established that questioned operations are exports that pursuant law are not subject to IGV.

At present, these proceedings are contested as for administrative proceedings to complaint SUNAT and appeal before the Tax Court, as well as with the Judiciary.

On the other hand, as of December 31, 2017, the Company have two pending decision tax and administrative proceedings with Municipalities. The first proceeding is with Municipalidad Provincial de Pasco, for an Assessing Resolution with respect to the property tax for US$185 thousand, which is in appeal. However, to present and despite the requirements of Tax Court, this Municipality has not refer the case. The other proceeding is with Municipality of Yauli, for an assessment of property tax from 2013 to 2015, which amount is of approximately US$20 thousand that is in appeal.

The Company estimates that these proceedings represent a probable contingency of US$ 0.64 billion.

Administrative sanctioning proceedings and administrative contentious actions
The Company have various proceedings on environmental, occupational health and safety and labor safety issues pending resolution by the Regulatory Agencies. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and provisions on Occupational Health and Safety Regulations with a probable contingent level for US$ 4.7 billion. Company Management and its legal advisors, based on the reasons in fact and in law, believe that after final decision of these proceedings no additional significant liabilities will arise for the Company.

Regulation contribution

To this date, there are pending decision constitutional proceedings started against the State for the obligation of paying to the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) and the Agency for Environmental Assessment and Control (OEFA) the regulation contribution for mining activities of the Company. As of December 31, 2017, the amount ordered by the State is of US$9.2 billion.

Provision for contingencies

Company Management, based on its external legal advisors' opinion, has made a review of all proceedings with tax, labor, civil and administrative nature, among others and determined a provision for probable contingencies of US$21.03 billion. Company Management and its legal advisors believe that this provision covers probable contingencies and does not generate a provision additional to the determined one.

Compañía Minera Chungar S.A.C.

Labor proceedings

Chungar have labor-related complaints with probable contingent level of US US$0.48 billion for indemnity payment of damages resulting from occupational disease, reimbursement of social benefits and others in process of appeal and/or judgment.

Tax proceedings

Chungar has various pending decision administrative proceedings with the National Superintendence of Tax Administration (SUNAT) and Tax Court for various resolutions of tax, fines and interests assessment that as per debit statement amounts to an approximate of US$231 billion.

Resolutions assessing taxes, fines and interests correspond mainly to criterion differences when assessing taxable bases to settle third-category income tax and General Sales Tax from 2001 to 2005; and in SUNAT's opinion, to failure to pay taxes and third-party withholdings of third party taxes. To present, these proceedings are contested as for administrative proceedings to complaint SUNAT and appeal before the Tax Court, as well as with the Judiciary.

On the other hand, as of December 31, 2017, the subsidiary has a pending decision tax and administrative proceeding with District Municipality of Huayllay, with respect to property tax from 2016 to 2012, for US$145 thousand, which is in appeal.

Additionally, to these date, it has a pending decision administrative proceeding with the above-mentioned District Municipality, against several administrative fines for US$174 thousand, which is in appeal. The Company estimates that these proceedings represent a probable contingency of US$0.43 billion.

Administrative sanctioning proceedings and administrative contentious actions
Chungar have various proceedings on environmental, occupational health and safety and labor safety issues pending resolution by the Regulatory Agencies. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and provisions on Occupational Health and Safety Regulations with a probable contingent level for US$ 3.28 billion.

Regulation contribution

To this date, there are pending decision constitutional proceedings started against the State for the obligation of paying to the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) and the Agency for Environmental Assessment and Control (OEFA) the regulation contribution for mining activities of the subsidiary. As of December 31, 2017, the amount ordered by the State is of US$6.26 billion.

Provision for contingencies

Company Management, based on its external legal advisors' opinion, has made a review of all proceedings with tax, labor, civil and administrative nature, among others and determined a provision for probable contingencies of US$10.45 billion. Company Management and its legal advisors believe that this provision covers probable contingencies and does not generate a provision additional to the determined one.

Empresa Administradora Cerro S.A.C.

Labor proceedings

There are labor-related complaints with probable contingent level of US US$3.29 billion for indemnity payment of damages resulting from occupational disease, reimbursement of social benefits, reinbursement of profit, payment of production bonds and others in process of appeal and/or judgment.

Tax proceedings

As of December 31, 2017, the subsidiary has three pending decision appeal proceedings with the National Superintendence of Tax Administration (SUNAT) and Tax Court for various resolutions of tax, fines and interests assessment for a total of US$8.5 billion.

Resolutions assessing taxes, fines and interests correspond to, in SUNAT's opinion, to failure to pay taxes, as well as criterion differences when assessing the taxable base to settle the third-category income tax of 2012 and 2014 in addition to a return of 2014. To present, these proceedings are contested as for administrative proceedings to complaint SUNAT and appeal before the Tax Court.

On the other hand, as of December 31, 2017, the subsidiary has five pending decision administrative proceedings with District Municipalities for various orders of payment and assessments resolution, with respect to property tax of 2012 and 2013, for US$125 thousand, which are in appeal.

Additionally, there are two pending decision administrative proceedings with the District Municipality de Yanacancha, for several orders of payment, for having assessed a supposed omission in the payment of rights to obtain demolition licenses for US$212 thousand, which are in complaint process. Finally, to these date, it has a pending decision claim for refund due to an unlawful payment with Municipalidad Provincial de Pasco with respect to a property tax of 2011 for US$115 thousad, which is in appeal.

The Company estimates that these proceedings represent a probable contingency of US$ 1.15 billion.

Administrative sanctioning proceedings and administrative contentious actions
The Subsidiary have various proceedings on environmental, occupational health and safety and labor safety issues pending resolution by the Regulatory Agencies. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and provisions on Occupational Health and Safety Regulations with a probable contingent level for US$ 0.07 billion.

Regulation contribution

To this date, there are pending decision constitutional proceedings started against the State for the obligation of paying to the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) and the Agency for Environmental Assessment and Control (OEFA) the regulation contribution for mining activities of the subsidiary. As of December 31, 2017, the amount ordered by the State is of US$1.12 billion.

Provision for contingencies

Company Management, based on its external legal advisors' opinion, has made a review of all proceedings with tax, labor, civil and administrative nature, among others and determined a provision for probable contingencies of US$5.63 billion. Company Management and its legal advisors believe that this provision covers probable contingencies and does not generate a provision additional to the determined one.

Empresa Explotadora de Vinchos Ltda S.A.C.

Labor proceedings

There are labor-related complaints of US US$0.07 billion for indemnity payment of damages resulting from fatal accidents, nullity of dismissal and others in process of appeal and/or judgment.

Tax proceedings

As of December 31, 2017, the subsidiary has two pending decision appeal claims with the National Superintendence of Tax Administration (SUNAT) as the statement of debts for a total of US$11 billion.

Resolutions assessing taxes, fines and interests correspond to, in SUNAT's opinion, to failure to pay taxes, as well as criterion differences when assessing the taxable base to settle the third-category income tax of 2013 and 2014.

There are no claims that merit provision.

Administrative sanctioning proceedings and administrative contentious actions
There are various proceedings on environmental, occupational health and safety and labor safety issues pending resolution by the Regulatory Agencies. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and provisions on Occupational Health and Safety Regulations for a contingent amount of US$ 0.23 billion.

Regulation contribution

To this date, there are pending final decision constitutional proceedings started against the State for the obligation of paying to the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) and the Agency for Environmental Assessment and Control (OEFA) the regulation contribution for mining activities of the subsidiary. As of December 31, 2017, the amount ordered by the State is of US$0.07 billion.

Provision for contingencies

Company Management, based on its external legal advisors' opinion, has made a review of all proceedings with tax, labor, civil and administrative nature, among others and determined a provision for probable contingencies of US$0.37 billion. Company Management and its legal advisors believe that this provision covers probable contingencies and does not generate a provision additional to the determined one.

Óxidos de Pasco S.A.C.

Other proceedings

To this date, there are pending final decision constitutional proceedings started against the State for the obligation of paying to the Supervisory Agency for Investment in Energy and Mining (OSINERGMIN) and the Agency for Environmental Assessment and Control (OEFA) the regulation contribution for mining activities of the subsidiary. As of December 31, 2017, the amount ordered by the State is of US$0.72 billion, which the Company has planned to provide as probable contingency.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Company and subsidiaries expose them to a variety of financial risks. The main risks that may adversely affect the financial assets and liabilities, as well as its future cash flows include: liquidity risk, credit risk, interest rate risk, risk of copper price variation, exchange rate risk, and capital management risk. The risk management program tries to minimize the potential adverse effects.

The Company Management is aware of the market conditions and based on its knowledge and experience, it revises, agrees and controls the risks, following the policies approved by the Board of Directors.

A sensitivity analysis is included in the Company and Subsidiaries financial instruments (accounts receivable, accounts payable, embedded derivatives and hedging derivatives) to see their variability to market changes and show the impact in the consolidated statement of income or equity, as appropriate.

Sensitivity has been prepared for the years ended on December 31, 2017 and 2016, with the balances of financial assets and liabilities held as of those dates. The Company and Subsidiaries do not keep derivative instruments for speculative purposes. Hedging transactions are made based on metal prices using instruments available in the market.

As outlined in Note 19 to the financial statements, Management of the Company and Subsidiaries enter hedging transactions on the price of metals using some derivative instruments existing in the financial market.

The Board of Directors revises and approves the policies to manage each of these risks, which are outlined below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments fluctuates as a result of changes in market prices. Market prices applicable for the Company and Subsidiaries include two types of risks: ore price variation risk, and interest rate risk. Financial instruments affected by market risks include loans, deposits and derivative financial instruments.

The sensitivity analysis in this section is related to the position as of December 31, 2017 and 2016. The sensitivity analysis has been prepared based on the fact that the proportion of financial instruments in foreign currency will stay constant.

(a.1) Exchange rate risk

It is a policy of Management of the Company and Subsidiaries to invoice the sale of its (local and foreign) products mainly in U.S. dollars. Exchange rate risk arises mainly from deposits and other accounts payable in foreign currency (Soles). Management of the Company mitigates the effect of exposure to foreign currency by making almost all of its transactions in its functional currency. It holds minor amounts in foreign currency (soles), which is used to cover its needs in such currency (taxes and remunerations).

As of December 31, 2017, the Company has recorded a gain on exchange rate difference of US$ 1,171 thousand (gain of US$ 129 thousand in 2016) (See Note 27).

The table below shows effects of a fair variation in foreign currency exchange rates through profit or loss maintaining all the other variables constant:

	Exchange rate increase (decrease)	Profit or loss effect
2017		
Exchange rate	5%	(201,073)
Exchange rate	(5%)	201,073
2016		
Exchange rate	5%	(325,388)
Exchange rate	(5%)	325,388

(a.2) Price risk

The Company and Subsidiaries are exposed to commercial risks resulting from changes in ore market prices. In order to hedge the risk resulting from prices falling of metals to be traded. In 2017, the Company did not keep hedging derivative instruments. In 2016, Management of the Company entered derivative contracts qualifying as cash flow hedging, (see Note 19 (a).

For hedging control and follow up, the Company and Subsidiaries approved the hedging policy "Policy for Metal Price Hedging," which is executed and monitored together with the Policy for Financial Risk Management. Likewise, Management of the Company has a Hedging Committee which purpose is to mitigate risks associated with variations and volatility in the prices of the metals they produce.

As of December 31, 2017 and 2016, the fair value of embedded derivatives contained in commercial agreements amounts to a gain of US$ 1,706 thousand and a loss of US$ 4,315 thousand, respectively.

As for future prices (copper, lead and zinc) as of December 31, 2017 and 2016, and the market value as of these dates, of the position of hedging derivative financial instruments hired by the Company, a sensitivity analysis is of the market value of this position is presented with respect to a variation of 10% for relevant prices while the remaining variables are constant.

(a.3) Interest rate risk

The Company has significant assets, such as deposits in installments, which are placed in first-rank financial institutions, and accrue interests at market current rates. The Company operating income and cash flows are independent from changes in market interest rates.

(b) Credit risk

The credit risk of the Company arises from the inability of debtors to meet the payment of their already accrued obligations, when they are due. Therefore, Management of the Company deposits its funds surplus in first-rank financial institutions, establishes conservative credit policies and is constantly assessing the market conditions in which they operate, for which they use risk rating reports for commercial and credit transactions, and makes hedging transactions with renown brokers of the London Metal Exchange. Therefore, Management of the Company does not expect incurring in significant credit risk loss.

Credit risk concentration exists when changes in economic, industrial, or geographic changes occur that similarly affect the counterparts related with the Company. The sales of concentrates by the Company and Subsidiaries are made to locally and internationally renowned companies. Transactions are made with various counterparts with credit solvency, thus mitigating any significant credit concentration.

Trade accounts receivable are denominated in U.S. dollars, their maturity date is the date of issue of the payment receipt, and their amount is made effective on the days following maturity. The sales made by the Company and Subsidiaries are to local and foreign customers and as of December 31, 2017, it has 19 customers (38 customers as of December 31, 2016). As of December 31, 2017, the 3 most important customers accounted for 69 % of total sales (61% of total sales in 2016). Management of the Company makes an assessment on such debts which collection is estimated as changing in order to set up the required provision allowance for bad debts.

An analysis of the Company's financial assets classified by aging, considering the period from the maturity date to the date of the statement of financial position in thousands of U.S. dollars is given below:

	2017			2016		
Description	Due	To fall due	Total	Due	To fall due	Total
Trade accounts receivable	245	61,607	61,852	3,128	65,993	69,121
Other accounts receivable	6,960	43,658	50,618	510	221,834	222,344
Other financial assets	-	46,770	46,770	-	64,407	64,407
	7,205	152,035	159,240	3,638	352,234	355,872

(c) Liquidy risk

The prudent administration of the liquidity risk implies maintaining enough cash and cash equivalents and the possibility to commit financing and/or have financing committed through a proper amount of credit sources. Management of the Company and Subsidiaries maintains adequate levels of cash and cash equivalents; furthermore, for having entities with economic support, it has enough credit capacity to access credit facilities from first-rank financial entities.

Management of the Company is permanently monitoring its liquidity reserves, based on cash flow projections.

An analysis of the Company' financial liabilities classified by aging, considering the period from the maturity date to the date of the statement of financial position in thousands of U.S. dollars is given below:

	Less than 1 year	Between 1 and 2 years	Between 2 and 10 years	Total
As of December 31, 2017				
Bank overdrafts	4,005	-	-	4,005
Financial obligations	173,386	4,074	624,913	802,373
Trade accounts payable	209,962	-	-	209,962
Other accounts payable	38,852	-	-	38,852
Other financial liabilities	126,620	-	-	126,620
Total	552,825	4,074	624,913	1,181,812
As of December 31, 2016				
Bank overdrafts	30,256	-	-	30,256
Financial obligations	250,923	4,170	558,334	813,427
Trade accounts payable	211,244	-	-	211,244
Other accounts payable	56,323	-	-	56,323
Other financial liabilities	105,228	24,570	-	129,798
Total	653,974	28,740	558,334	1,241,048

(d) Capital management

The Company seeks to safeguard its capacity to continue as an ongoing company in order to provide returns for its shareholders, benefits to other interest groups and maintain an optimal capital structure to reduce its capital cost.

Management of the Company manages its capital structure and makes adjustments to meet changes in economic market conditions. Management policy is to finance all its short and long-term projects initially with its own operating resources. To keep or adjust the capital structure, the Management can adjust the payment of dividends to shareholders, return capital to its shareholders or issue new shares. For the years ended on December 31, 2017 and 2016, no changes in the objectives, policies or procedures have been reported.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following amounts correspond to financial assets and liabilities shown in the consolidated statement of financial position, classified by categories according to IAS 39, in thousands of U.S. dollars:

	2017	2016
Financial assets and liabilities at fair value through profit or loss		
Cash	101,387	96,889
Deposits in installments	-	37,261
Financial investments	51,806	62,406
Embedded derivative	4,315	1,706
Other financial assets	42,328	59,454
Total	199,836	257,716
Investments available for sale		
Mutual funds	442	6,795
Accounts receivable		
Trade accounts receivable	61,852	69,121
Other accounts receivable in the short and long term	50,618	222,344
	112,470	291,465
Financial liabilities at amortized cost		
Financial obligations	802,373	813,427
Trade accounts payable	209,962	211,244
Other accounts payable	38,852	56,323
Other financial liabilities	97,399	126,551
Total	1,148,586	1,207,545
Financial assets and liabilities at fair value through other comprehensive income		
Hedging of cash flow	(29,094)	-
Total	(29,094)	-

Fair value is defined as the amount for which an asset could be exchanged or an liability could be settled between knowledgeable willing parties in a current transaction, assuming the entity is an ongoing concern.

When a financial instrument is traded in a liquid and active market, its market set price in an actual transaction give the best evidence of its fair value. When there is no market set price or it cannot be an indicative of the instrument fair value, to assess such fair value, the market value of another substantially similar instrument can be used, the analysis of discounted flows, or other applicable techniques; which are significantly affected by the assumptions used. Notwithstanding Management of the Company and Subsidiaries have used its better judgment in estimating the fair value of its financial instruments, any technique to make such estimate involves certain level of inherent fragility. As a result of this, the fair value cannot be a reference of the net realization value or settlement value of financial instruments.

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

Financial instruments which fair value is similar to the carrying amount –

For financial assets and liabilities that are liquid or have short-term maturity (less than three months), such as cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, it is considered that the carrying amount is similar to the fair value.

Management of the Company and Subsidiaries make transactions with derivative financial instruments with financial entities with investment grade credit rating. Derivative financial instruments are valued according to the market valuation techniques, the main contracted products being metal quote hedging derivative instruments.

The most frequent valuation technique applied includes flow projections using models and present value computation. Models incorporate various variables as the credit risk rating of the counterpart entity, and ore price future quotes.

Financial instruments at fixed and variable rates –

The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is assessed comparing market interest rates at their initial recognition with current market rates related to similar financial instruments. The estimated fair value of deposits accruing interests is assessed through discounted cash flows using market interest rates in the prevailing currency with similar maturity and credit risks.

33. REMUNERATIONS OF KEY PERSONNEL

Remuneration of the Group key personnel (Managers) and Directors of the Group considers all payments they receive. The total of these amounts to approximately US$ 11.9 million (US$ 12.2 million in 2016) and correspond to salaries and other short-term benefits. During year 2017, no payments to key personnel have been made for post-employment benefits, other long-term benefits, benefits for termination, or share-based payments.

34. AMENDMENTS AND NEW IFRS ISSUED NOT EFFECTIVE AS OF THE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

In application of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", when a IFRS is not effective, the possible impact of its use should be estimated and assessed in the financial statements when it happens for the first time. In the case of the following standards, the possible impact on the financial statements is unknown to the effective date of such standards.

Here are the changes that will be effective as from or after January 1, 2017:

IFRS 15	Revenues from contracts with customers (published in May 2014) and its clarifications (published in April 2017) (effective as from 2018)	New standard for recognition of revenues (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)
IFRS 9	Financial instruments (last phase published in July 2014) (effective as from 2018)	It replaces requirements for classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39
IFRS 16	Leasings (Published in January 2017) (effective as from 2019)	It replaces IAS 17 and the related interpretations. The new central thing is that the new standard proposes a single accounting model for lessees, which will include in the balance all leasings (with some limited exceptions) with impact similar to the current financial leasings (there will be amortization of assets by use rights and financial expenses for amortized cost of liabilities)
IAS 40	Transfers of a property to or from a property (effective as from 2018)	Clarification related to the moment is the use change.
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective as from 2018)	To clarify the application date when occurring advance assets, expenses or renevue.

35. SUBSEQUENT EVENTS

No significant events have occurred since the date of closing of the financial statements as of December 31, 2017 until February 27, 2018.

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