

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
March 31, 2018 and 2017

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of March 31, 2018 (unaudited) and as of December 31, 2017 (audited)

	Note	March 31, 2018 US\$(000)	December 31, 2017 US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	99,951	101,829
Financial investments		53,710	51,806
Trade accounts receivable, net		34,975	51,661
Subsidiaries accounts receivable		14,235	10,191
Other accounts receivable		159,023	160,929
Other financial assets	6	20,864	46,770
Inventories, net	5	76,782	71,672
Total current assets		459,540	494,858
Non-current Assets			
Other accounts receivable		5,785	3,378
Investments in associates		30	162
Property, plant and equipment, net	7	929,875	938,557
Mining exploration and evaluation cost, net	8	714,664	705,710
Deferred income tax asset	10	141,190	147,578
Total non-current assets		1,791,544	1,795,385
Total assets		2,251,084	2,290,243
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		4,010	4,005
Trade accounts payable		200,731	209,962
Subsidiaries accounts payable		1,235	-
Other accounts payable		82,603	92,043
Other financial liabilities	6	80,916	126,620
Financial obligations	9	172,898	173,386
Total current liabilities		542,393	606,016
Non-current Liabilities			
Financial obligations	9	627,305	628,987
Deferred income tax liability	10	272,119	276,842
Provision for contingencies		38,835	38,835
Provision for closing of mining units		134,737	134,890
Total non-current liabilities		1,072,996	1,079,554
Total liabilities		1,615,389	1,685,570
Patrimonio neto			
Issued capital	11	1,134,300	1,134,300
Treasury stock		(61,222)	(61,222)
Other capital reserves		1,055	1,055
Capital reserve		(174,326)	(174,320)
Unrealized gains (loss)		(11,760)	(20,511)
Revaluation		46,762	46,554
Retained earnings		(299,114)	(321,183)
Total net stockholders' equity		635,695	604,673
Total liabilities and net stockholders' equity, net		2,251,084	2,290,243

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Income Statement (unaudited)

For the period from January 1, to March 31, 2018 and 2017

	For the cumulative period from January 1 to	
	March 31	
	2018	2017
	US\$(000)	US\$(000)
Sales, Note 12	202,649	205,496
Cost of Sales, Note 13	(127,920)	(138,296)
Gross Income	74,729	67,200
Operating income (expenses)		
Administrative expenses	(12,105)	(10,500)
Selling expenses	(6,210)	(7,704)
Other income	11,288	8,537
Other expenses	(17,445)	(10,163)
	(24,473)	(19,830)
Operating income	50,255	47,370
Financial income (expenses)		
Financial income	350	1,930
Financial expenses	(9,687)	(11,378)
Difference in change	172	130
Total other income (expenses), net	(9,165)	(9,318)
Income before income tax	41,090	38,052
Income tax, Note 10(b)	(18,925)	(14,512)
Net income	22,165	23,540
Net earnings per share	0.006	0.006
Weighted average of outstanding shares (in thousands)	3,858,202	3,858,449

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Comprehensive Income (unaudited)

For the period from January 1 to March 31, 2018 and 2017

	For the cumulative period from January 1 to March 31	
	2018 US\$(000)	2017 US\$(000)
Net income	22,165	23,540
Others comprehensive income (loss):		
Net change in gains (losses) unrealized on derivate instruments	12,413	(1,241)
Income tax	(3,662)	366
Other comprehensive income (loss) net of income tax	8,751	(875)
Total comprehensive income	30,916	22,665

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity (unaudited)

For the period from January 1 to March 31, 2018 and 2017

	Capital Issued	Treasury stock	Other capital reserves	Revaluation	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2017	1,253,181	(196,778)	3,553	-	20,298	-	41,376	1,121,630
Net income	-	-	-	-	-	-	23,540	23,540
Net change in gains unrealized on derivative instruments	-	-	-	-	-	(875)	-	(875)
Comprehensive income for the period	-	-	-	-	-	(875)	23,540	22,665
Dividends declared	-	-	-	-	-	-	(14,066)	(14,066)
Increase (decrease) in treasury stock transactions	-	(24)	-	-	(14)	-	-	(38)
Conversion effect	-	-	-	-	-	-	(13)	(13)
Balances as of March 31, 2017	1,253,181	(196,802)	3,553	-	20,284	(875)	50,837	1,130,178
Balances as of January 1, 2018	1,134,300	(61,222)	1,055	46,554	(174,320)	(20,511)	(321,183)	604,673
Net income	-	-	-	-	-	-	22,165	22,165
Net change in gains unrealized on derivative instruments	-	-	-	-	-	8,751	-	8,751
Conversion effect	-	-	-	208	(6)	-	(96)	106
Balances as of March 31, 2018	1,134,300	(61,222)	1,055	46,762	(174,326)	(11,760)	(299,114)	635,695

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Cash Flows Statement (unaudited)

For the period from January 1 to March 31, 2018 and 2017 (Note 2C)

	March 31, 2018	March 31, 2017
	US\$(000)	US\$(000)
Operating activities		
Collection of sales proceeds	253,009	242,779
Refund of the credit balance in favor of the exporter and taxes	4,865	20,240
Payments to suppliers and third parties	(127,110)	(156,758)
Payments to workers	(25,156)	(23,229)
Income tax payments	(14,603)	(1,833)
Royalties	(5,277)	(4,370)
Expenses for coverage	(11,151)	(2,406)
Cash flows from operating activities	74,577	74,423
Investing activities		
Other cash receipts related to the investment activity	420	-
Purchase of investment property	-	(1,534)
Disbursements for the acquisition of mining rights, property, plant and equipment	(15,587)	(12,999)
Disbursements for exploration and development activities	(28,762)	(17,517)
Cash flows (used in) investment activities	(43,929)	(32,050)
Financing activities		
Increase (decrease) in financial obligations	(15,593)	(13,937)
Interest payment	(16,933)	(17,231)
Dividends	-	(14,066)
Cash flows (used in) from financing activities	(32,526)	(45,234)
Increase (Decrease) in cash and cash equivalents for the period	(1,878)	(2,861)
Cash and cash equivalents at the beginning of the period	101,829	203,351
Cash and cash equivalents at the end of the period	99,951	200,490

The accompanying notes are an integral part of this statement

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of March 31, 2018 and December 31, 2017

1. Identification and economic activity

(a) Identification -

Volcan Compañía Minera S.A.A. (hereinafter “the Company”, “the Parent Company” or “Volcan”) was incorporated in Perú in the city of Lima on February 1, 1998 through the merger of Volcan Compañía Minera S.A., incorporated in June 1943, and Empresa Minera Mahr Túnel S.A., a company which had been acquired by the Company under a privatization process in 1997.

The shares which make up the capital stock of the Company are listed on the Lima Stock Exchange.

The legal seat and administrative offices of the Company and its subsidiaries are located on Av. Manuel Olguín No. 375, Urbanización Los Granados, Santiago de Surco, Lima.

(b) Economic activity -

The Company is engaged, on its own behalf, in the exploration for and exploitation of mining concessions and in the extraction, concentration, treatment and comercialization of polymetallic ore. Until January 2011, it ran as part of its own structure two mining units located in the departments of Pasco and Junín, in the central highlands of Perú. In February, 2011, the Cerro de Pasco Unit was spun-off under a simple reorganization process, retaining control over this subsidiary. At these locations, the company produces zinc, copper, lead and silver concentrates.

The Company’s Management administers and runs all operations of the Company’s subsidiaries and those of the latter are subsidiaries.

(c) Approval of consolidated financial statements -

The consolidated interim financial statements as of March 31, 2018 were approved by the Company’s Management on April 20, 2018. The consolidated financial statements as of December 31, 2017 were approved by the Shareholders’ Meeting on April 04, 2018.

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

	Percentage of direct or indirect interest in the capital	
	March 31, 2018	December 31, 2017
Subsidiaries:		
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera Chungar S.A.C.	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100	100
Hidroeléctrica Huanchor S.A.C (***)	100	100
Compañía Hidroeléctrica Tingo S.A. (**) (***)	99.99	99.99
Empresa de Generación Eléctrica Baños 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
Roquel Global S.A.C.	99.99	99.99
Agroindustrias Chancay S.A.C.	99.99	99.99
Cía. Industrial Ltda. De Huacho S.A.	55.81	55.81
Corporación Logística Chancay S.A.C.	99.99	99.99
Compañía Minera Vichaycocha S.A.C.	99.99	99.99

(*) These are, in turn, subsidiaries of Empresa Minera Paragsha S.A.C.

(**) This is, in turn, a subsidiary of Compañía Minera Chungar S.A.C.

(***) Subsidiary engaged in the energy generation.

On January 1, 2016, the merger of Empresa Administradora Chungar S.A.C. and Compañía Minera Alpamarca S.A.C. (survivor company) took place, at the same event, the latter changed its name to Compañía Minera Chungar S.A.C.

The shareholders meeting of Compañía Minera Chungar S.A.C. agreed a spin-off of the assets and liabilities related to Rucuy Project, valued in S/1,446 thousand, in favor of Empresa de Generación Eléctrica Baños S.A. According to the Shareholders Meeting, the spin-off entered in force on June 1, 2016.

On October 5, 2016, Empresa Administradora de Puertos S.A.C. (today Terminales Portuarios Chancay S.A.) capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. equivalent to S/ 145,849 thousand.

On May 1, 2017, the merger of Empresa Administradora de Puertos S.A.C. and Terminales Portuarios Chancay S.A. (survivor company) took place. On May 31, 2017, Terminales Portuarios Chancay S.A. capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. and Empresa Administradora Cerro S.A.C. equivalent to S/ 11,124 thousand and S/ 59,222 thousand, respectively.

(e) Issuance of bonds -

By resolution of the Company's Shareholders Meeting held on November 4, 2011, approval was provided to the issuance of bonds in the aggregate amount of US\$1,100,000,000 (One Thousand One Hundred Million United States Dollars), or its equivalent in soles, to be placed at the international and/or local markets, with a first tranche in the amount of US\$600,000,000 (Six Hundred Million United States Dollars), to finance mining and power projects within the next five years. Furthermore, the Board of Directors was vested, in the broadest manner permitted by applicable laws and the Company's bylaws, with all powers necessary for its determination of each and all terms, characteristics and conditions applicable to the issuance of bonds.

At the Company's Board Meeting held on January 16, 2012, it was agreed to approve an issuance of bonds under Regulation 144A and Regulation S of the U.S. Securities Act of the United States of America, in the aggregate amount of US\$600,000,000 (Six Hundred Million U. S. Dollars), subject to the terms and conditions determined by the attorneys-in-fact designated by the Parent Company for such purpose, and at market conditions.

On February 2, 2012, bonds were issued and all of the so-called "Senior Notes due 2022" were placed for US\$600,000,000 at the international market, at an annual rate of 5.375%, with a ten- year maturity and half-yearly installments payable from August 2, 2012 through February 2, 2022. It is worth noting that the demand for such bonds from investors interested in their acquisition reached US\$ 4.8 million U.S. dollars. As of March 31, 2018 the outstanding liability amounts to US\$ 535,264 thousand.

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit, the new Alpacamarca-Pallanga River unit, and the acquisition of Hidroeléctrica Huancho S.A.C.

2. Basis of presentation, accounting principles and practices

Basis of presentation -

The consolidated interim financial statements (unaudited) for the three periods ended March 31, 2018 and 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting".

The consolidated interim financial statements do not include all information and disclosures required from annual consolidated financial reports and should be read together with annual consolidated financial statements for 2017.

For a correct reading of the financial statement, certain reclassification have been made in 2017.

Accounting principles and practices -

- (a) In the preparation of the attached consolidated interim financial statements, the Company has used the same accounting criteria and principles as for its consolidated annual financial statements.

The Company has not adopted in advance any standard, interpretation or modification which had been issued but not made effective as of the date of the consolidated interim financial statements.

- (b) The functional and presentation currency used by the Company is the United States Dollar. Transactions in foreign currency (i.e. any currency other than the functional currency) are initially translated into functional currency using the exchange rates in force on the date of the transactions. Monetary assets and liabilities expressed in foreign currency are subsequently adjusted to functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position. Non-monetary assets and liabilities in foreign currency, recorded at historical costs, are translated into functional currency using the exchange rates in force on the original dates of transactions. Any gains or losses from the exchange rate differential resulting from the liquidation of such transactions and the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing as of fiscal year closing are recognized in the consolidated income statement.

- (c) Cash and cash equivalents

This heading included in the Company's statement of financial position includes all cash balances, term deposits, mutual funds, financial assets and financial investment foreign which are short-term, highly liquid and readily convertible into cash and have free availability and investment abroad.

Furthermore, for purposes of their presentation in the cash flows statement, the cash, mutual funds and term deposits with original maturities of twelve or less months are included, and also the financial assets at fair value through profit or loss, because of their high liquidity according to the Company's Management.

3. Seasonality of operations

The Company operates on a continuous basis, with no important fluctuations due to seasonal factors.

4. Cash and cash equivalents

Herein below is the composition of this heading:

	As of March 31, 2018	As of December 31, 2017
	US\$(000)	US\$(000)
Funds available:		
Cash	9	11
Fixed fund	29	26
Bank checking accounts	99,051	100,933
Mutual funds	444	442
Funds subject to restriction	418	417
	<u>99,951</u>	<u>101,829</u>

5. Inventories

The composition of this heading is presented below:

	As of March 31, 2018	As of December 31, 2017
	US\$(000)	US\$(000)
Miscellaneous supplies	60,373	58,833
Raw material (extracted ore)	16,334	16,395
Value of stockpiles	7,752	7,752
Concentrates	14,821	10,734
Inventories in transit	633	1,089
Allowance for obsolescence of spare parts and supplies (a)	(23,131)	(23,131)
	<u>76,782</u>	<u>71,672</u>

The company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of March 31, 2018 and as of December 31, 2017.

(a) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of March 31, 2018 and as of December 31, 2017.

6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of March 31 2018	As of December 31 2017
	US\$(000)	US\$(000)
Fair value of trading derivatives	19,192	29,541
Settled derivative financial instruments and premiums	691	12,787
Embedded derivative related to sales of concentrates	214	4,316
	20,097	46,644
Fair Value of swaps associated with of loans	767	126
	767	126
	20,864	46,770
Less: non-current portion	-	-
Current portion	20,864	46,770

Here in below is the composition of payables:

	As of March 31 2018	As of December 31 2017
	US\$(000)	US\$(000)
Fair value of hedging derivatives	17,448	29,220
Fair value of trading derivatives	2,483	7,706
Settled derivative financial instruments and premiums	59,171	89,693
Embedded derivative related to sales of concentrates	1,814	1
	80,916	126,620
Less: non-current portion	-	-
Current portion	80,916	126,620

The Company uses derivative instruments to reduce its exposure to market risks. Such risks are primarily related to the effects of constantly fluctuating prices for the metals traded by the Company. The Company Management's intention is to maintain derivative instruments to hedge the price fluctuations of metals.

Mineral quotations hedging transactions -

As of March 31, 2018 the Company has executed price hedging operations contracts to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The change in the equity account “Unrealized gains (loss)” is presented below:

	Hedging Financial Derivatives	Income tax	Unrealized Gains (losses)
	US\$(000)	US\$(000)	US\$(000)
Balances as of December 31, 2016	-	-	-
Total change in hedging derivative financial instruments	(29,094)	8,583	(20,511)
Balances as of December 31, 2017	<u>(29,094)</u>	<u>8,583</u>	<u>(20,511)</u>
Total change in hedging derivative financial instruments	12,413	(3,662)	8,751
Balances as of March 31, 2018	<u>(16,681)</u>	<u>4,921</u>	<u>(11,760)</u>

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of March 31, 2018
<u>2018</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost								
Land	95,460	1,206	(170)	3,402	-	-	-	99,898
Buildings and other constructions	778,919	-	-	(3,257)	-	-	-	775,662
Environmental management program infrastrl	22,293	-	-	-	-	-	-	22,293
Machinery and equipment	285,321	153	(100)	-	-	-	-	285,374
Transportation units	11,702	76	-	-	-	-	-	11,778
Furniture and fixtures and IT equipment	13,487	35	-	-	-	-	-	13,522
Miscellaneous equipment	421,253	2,445	-	134	-	-	-	423,832
Units in transit	4,282	1,070	-	(134)	-	-	-	5,218
Works in progress	94,791	8,634	-	(145)	-	-	-	103,280
	1,727,508	13,619	(270)	-	-	-	-	1,740,857
Accumulated depreciation								
Buildings and other constructions	(202,316)	(13,940)	-	-	-	-	-	(216,256)
Environmental management program infrastrl	(22,250)	(9)	-	-	-	-	-	(22,259)
Machinery and equipment	(247,551)	(2,297)	90	-	-	-	-	(249,758)
Transportation units	(10,649)	(102)	-	-	-	-	-	(10,751)
Furniture and fixtures and IT equipment	(9,149)	(222)	-	-	-	-	-	(9,371)
Miscellaneous equipment	(297,036)	(5,551)	-	-	-	-	-	(302,587)
	(788,951)	(22,121)	90	-	-	-	-	(810,982)
Net cost	938,557							929,875
<u>2017</u>								
Cost	1,746,093	117,473	(31,576)	382	7,593	66,034	(178,491)	1,727,508
Accumulated depreciation	(724,665)	(82,320)	19,408	-	(1,374)	-	-	(788,951)
Net cost	1,021,428							938,557

8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Additions	Write-offs	Transfers and / or Reclassifications	Corporate Addition	Revaluation	Deterioration	Balances as of March 31, 2018
<u>2018</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost								
Mining rights and concessions	268,690	-	-	-	-	-	-	268,690
Exploration	221,385	3,931	(33)	-	-	-	-	225,283
Development and stripping costs	628,218	19,490	-	-	-	-	-	647,708
Closing of mining units	104,987	-	-	-	-	-	-	104,987
Other intangible assets	86,281	1,707	(15)	-	-	-	-	87,973
	1,309,561	25,128	(48)	-	-	-	-	1,334,641
Accumulated amortization								
Mining rights and concessions	(181,619)	(2,510)	-	-	-	-	-	(184,129)
Exploration	(92,728)	(2,981)	-	-	-	-	-	(95,709)
Development and stripping costs	(287,247)	(7,677)	-	-	-	-	-	(294,924)
Closing of mining units	(32,057)	(2,715)	-	-	-	-	-	(34,772)
Other intangible assets	(10,200)	(244)	1	-	-	-	-	(10,443)
	(603,851)	(16,127)	1	-	-	-	-	(619,977)
Net cost	705,710							714,664
<u>2017</u>								
Cost	1,215,822	183,070	-	(381)	90,391	74,315	(253,656)	1,309,561
Accumulated depreciation	(636,084)	(56,773)	89,036	-	(30)	-	-	(603,851)
Net cost	579,738							705,710

9. Financial Obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2018	Loans	Payment	Balances as of March 31, 2018	Current	Non-current
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing						
Banco internacional del Perú-Interbank	626	75	(193)	508	280	228
Scotiabank Perú S.A.A.	5,484	-	(672)	4,812	2,064	2,748
Banco Continental	427	-	(322)	105	106	-
						-
Financial Institutions - loans						
Itau Unibanco - Nassau Branch	-			-		
Scotiabank Perú S.A.A.	20,000	-	(20,000)	-	-	-
Citibank NA, New York	70,000	-	-	70,000	-	70,000
Scotiabank Perú S.A.A.	40,000	-	(40,000)	-	-	
Atlas Copco Financial Solutions AB	572	-	(124)	448	448	-
Banco internacional del Perú-Interbank	10,000	-	(467)	9,533	-	9,533
Scotiabank Perú S.A.A.	10,000	-	(467)	9,533	-	9,533
Financial Institutions - synthetic loans						
Banco Continental	60,000	-	(60,000)	-	-	-
Banco Continental	-	60,000	-	60,000	60,000	-
Scotiabank Perú S.A.A.	-	60,000	-	60,000	60,000	-
						-
Bonds	535,264	-	-	535,264	-	535,264
						-
Short term debt instruments	50,000	-	-	50,000	50,000	-
	802,373	120,075	(122,245)	800,203	172,898	627,305
Financial obligations current	(173,386)			(172,898)		
Financial obligations non-current	628,987			627,305		

10. Deferred Income tax

(a) The composition of this heading, according to the items originating same, is provided below:

	As of March 31	As of December
	2018	31 2017
	<u>US\$(000)</u>	<u>US\$(000)</u>
Deferred assets with effect on gains (losses)		
Expenses of amortization of mining rights and concessions, exploration, development and stripping costs	58,001	56,947
Provision for the closing of mining units	39,792	40,029
Fair value of derivatives financial instruments and premiums	13,135	19,771
Contingencies provisions	9,210	9,018
Estimation for devaluation of inventories	6,824	6,824
Recoverable tax loss	4,692	4,692
Fair value polpaico cement	2,565	3,127
Vacation payments outstanding	1,919	2,010
Provision of mining royalties	1,189	1,699
Provision for doubtful accounts	1,362	1,364
Other minors	2,501	2,097
Deferred assets	<u>141,190</u>	<u>147,578</u>
Deferred liabilities with effect on gains (losses)		
Utilization of Amortization of mining rights and concessions, exploration, development and stripping costs	208,191	206,333
Effect by translation of the tax benefits to dollars	31,255	32,806
Fair value of derivatives financial instruments and premiums	6,204	9,316
Value of stock piles	2,287	2,287
Insurance indemnity	1,140	1,583
Embedded derivative	(833)	1,273
Revaluation of assets	20,197	19,480
Other minors	3,678	3,764
Deferred liabilities	<u>272,119</u>	<u>276,842</u>

(b) The income tax expense carried in the income statement:

	For the period from January 1	
	to March 31	
	2018	2017
	<u>US\$(000)</u>	<u>US\$(000)</u>
Income Tax		
Current	(17,538)	(5,894)
Deferred	2,909	(4,667)
	<u>(14,629)</u>	<u>(10,561)</u>
Tax on mining royalties	(4,002)	(3,773)
Contribution to the retirement fund	(294)	(178)
Total income (loss) tax expense	<u>(18,925)</u>	<u>(14,512)</u>

11. Issued 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; such right is not cumulative. From the total, 182,692,440 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 class "A" shares by subsidiary Compañía Minera Chungar S.A.C .

Both class "A" and class "B" common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of March 31, 2018, their quotation was S/ 3.59 and S/ 1.20 per share, respectively (S/ 4.00 and S/ 1.32 per share, respectively, as of December 31, 2017). As of March 31, 2018, the trading frequency for class "A" shares was 15 percent, and for class "B" shares 100 percent (for class "A" shares was 5 percent, and for class "B" shares 100 percent as of December 31, 2017).

On March 31, 2016, the General Meeting of Shareholders agreed to reduce the share capital of the Company S/ 529,954,383 of S/ 4,076,572,175 to S/ 3,546,617,792 by reducing the nominal value of all the Class "A" and Class "B" issued by the Company, i.e., affecting the 4,076,572,175 shares issued by the Company, whose nominal value is reduced to S/ 1.00 to S/ 0.87.

At the board meeting held on July 5, 2016, the directors approved the distribution of cash dividends of up to S/ 52,484,125.70 (equivalent to US\$.15,967,181) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on August 9, 2016.

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividends of up to S/ 49,105,817 (equivalent to US\$.14,853,544) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on February 28, 2017.

At the board meeting held on October 2, 2017, the directors approved the distribution of cash dividends of up to S/ 54,583,491 (equivalent to US\$.16,396,750) in favor of the shareholders, which correspond to the profits of fiscal year 2016. Said dividends were paid on October 27, 2017.

12. Net Sales

The table herein below provides a detail of net sales:

	For the period from January 1 to March 31	
	2018 US\$(000)	2017 US\$(000)
Net concentrate sales		
Zinc	142,959	117,544
Lead	39,363	39,335
Copper	7,905	7,422
Silver	13,589	15,288
Bulk	-	3,972
Silver Bars	16,388	15,554
Final settlement adjustments	2,610	5,029
	<hr/> 222,814	<hr/> 204,144
Gain (loss) realized on financial instruments	(12,391)	2,856
Sales adjustment for the current period (a)	(637)	(1,489)
Embedded derivatives for the current period (b)	(7,137)	(15)
	<hr/> 202,649	<hr/> 205,496

(a) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Sales agreements are related to future market prices. The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of March 31, 2018 and 2017, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in loss for US\$ 637 thousand and US\$ 1,489 thousand in the three-months periods ended March 31, 2018 and 2017; respectively, and are shown as part of net sales.

(b) Embedded derivatives

As of March 31, 2018 the fair value of embedded derivatives yielded in loss for US\$ 7,137 thousand (US\$ 15 thousand as of March 31, 2017). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of March 31, 2018 and 2017 have been taken from entities that work with the London Metal Exchange (LME) publications.

13. Cost of Sales

The composition of this below:

	As of March 31 2018 <u>US\$(000)</u>	As of March 31 2017 <u>US\$(000)</u>
Concentrates beginning inventory	10,734	8,046
Raw materials (extracted ore) beginning inventory	16,395	27,079
Production cost:		
Labor	18,827	15,382
Rental, power and other expenses	52,362	54,589
Supplies used	24,536	27,083
Depreciation and amortization	34,967	29,612
Purchase of concentrate and minerals	-	6,428
Exceptionals, others	1,254	1,828
Less - concentrates ending inventory	(14,821)	(5,259)
Less - raw materials (extracted ore) ending inventory	(16,334)	(26,492)
	<u>127,920</u>	<u>138,296</u>